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NEWS SUMMARY

GENERAL

Japan's promise on TVs and cars

Japan has told the EEC it will tr yto moderate its exports of colour televisions and cars to Europe to help reduce trade friction.

The assurances have been made informally to EEC officials, following a 46 per cent increase in the export of those goods to West Germany in the first eight months this year.

According to Japan's own figures Europe's trade deficit with Japan increased by 75 per cent to £2.21bn for those eight months. And European countries feel that teir chances of exporting to Japan are unfairly impeded. Back Page

Mr. Huang here

Chinese Foreign Minister Huang Hua visits London today and tomorrow. He will lunch with Foreign Secretary Lord Carrington today.

In Strasbourg yesterday Mr. Huang told the Council of Europe that the Soviet intervention in Afghanistan was a move towards controlling the Gulf and the Indian Ocean.

Channel 4 pledge

Jeremy Isaacs, 48, former Thames TV director of programmes, has been appointed £35,000 a year chief executive of the forthcoming fourth TV channel. He promised a service that will be "responsive, lively, concerned, useful, fun." Page 10

Thatcher jeered

Mrs Thatcher was jeered when she was on a walk-about in Nunhead, South London, after opening a housing association estate of 92 homes, 20 for disabled people.

Irish hero shot

Robert Shields, 44, a Belfast ambulance service administrator, who seven years ago drove through a gun battle to rescue victims of a pub bombing, was shot dead at work by Provos. He was once a police reservist.

Army called in

Irish Premier Charles Haughey announced on TV that the Army would distribute petrol—tanker drivers have been on strike for nearly a month.

Arab royal robbed

Sarah Khalid Abdul Rahman, of the Saudi royal family, was robbed of £90,000 cash and jewellery from the boot of her car while she was in the Embassy Club, in London's West End. In Banstead, Surrey, a chain-saw gang cut into a security van and took £118,000.

Store spectacular

Debenham's opened an opticians in its Oxford Street store in London, and plans 30 more in its stores in a year. Page 8

Mae West 'worse'

Mae West, 87, the American actress and sex symbol, was said to be deteriorating in a Los Angeles hospital after a stroke six weeks ago.

Briefly . . .

Norwich Police have charged Southampton footballer Charlie George following an incident in which a Press photographer was said to have been struck.

Iran's Majlis is to set up a seven-man commission to study the question of the U.S. hostages.

About 240,000 sugar cane workers in Brazil are striking for a 98 per cent rise and a cut in work.

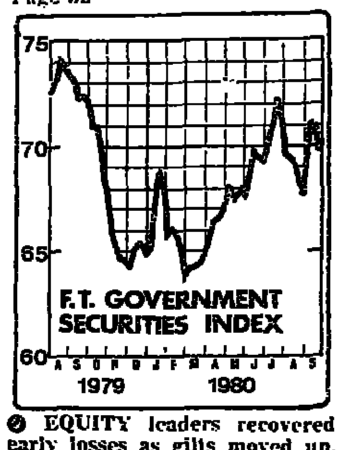
Argentine junta of three has delayed for ten days the naming of a successor to General Videla

At least four people were killed in Istanbul clashes, in the worst violence since the September 12 military coup.

BUSINESS

Gilts rise to 70.18; equities gain 5.4

● GILTS gained on renewed hopes of an early cut in interest rates, some longs rising nearly a point, and shorts up to ¼ higher. The Government Securities Index rose 0.44 to 70.18. Page 32



● EQUITY leaders recovered early losses as gilts moved up, the FT 30-share index gainig 5.4 to 481.0, an eight-point turnround on the day. Page 32

● STERLING eased 45 points to $2.3875, the sixth consecutive day of fall. Its trade-weighted index was 76.0 (76.1). DOLLAR was steady in thin trading, its index closing at 83.8 (83.9). Page 28

● GOLD lost a further $11 in London to $670.50. Page 28

● WALL STREET was 8.96 up at 930.89 before the close. Page 30

● U.S. INDEX of leading economic indicators was up 1.9 per cent in August, the third monthly rise but somewhat below predictions.

● PRESIDENT CARTER is to bring back the "trigger price" mechanism to protect U.S. steel producers against cheap imports; in return U.S. Steel is dropping its anti dumping suits against EEC producers. Back Page: Editorial comment, Page 18

● CONOCO is to "invest heavily" in UK offshore oil exploration and development and a petrochemicals plant, the U.S. group announced as its new North Sea field came on stream. Back Page

● NORTH SEA OIL benefits to the UK could rise from the £6.5bn level this year to more than £17bn (at today's value) by 1985, according to a stockbrokers' forecast. Page 10

● PRIME MINISTER impressed on a group of foreign central bankers and academics her determination to play a personal role in deciding any possible monetary control changes. Back Page

● MONEY SUPPLY growth should slow in the next few months, as public sector borrowing falls, allowing a "significant" drop in interest rates by next spring, says a Barclays Bank survey. Page 8

● RAPID DECLINE in industrial output and confidence has meant nearly two-thirds of West Midlands companies now working at less than 80 per cent of capacity, according to a survey. Page 8

COMPANIES

● GILLBROOKE (Insurance Holdings), jointly owned by Gill and Duffus and Brooke Bond Liebig, plans to acquire the insurance interest of H. Clarkson (Holdings) in a deal worth over £6m.

● READY MIXED Concrete reports first-half taxable profits up by £6.31m to £21.52m, but is facing difficult trading conditions in the second half so far. Page 22; Lex, Back Page

● JARDINE MATHESON of Hong Kong raised interim attributable net profit by 22.7 per cent to HK$158.1m (£13.25m) and has announced a record HK$ 1bn (£83.82m) rights issue. Page 27

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES:			Candecca	233	− 7
Treasury 13% 2000 £99¼		+ ¾	Carless Capel	177	− 11
Aberdeen Invs.	104	+ 18	KCA	162	+ 10
Baker (J.)	32	+ 5	Sovereign Oil	360	+ 25
Brown (J.)	66½	+ 4	Bond Corp.	148	+ 10
Chambers & Fargus	42	+ 6	MIM Hldgs.	260	+ 10
Crouch Group	122	+ 5	FALLS:		
Currys	228	+ 5	Albion	17	− 3
GEC	522	+ 12	Bestobell	302	− 10
GKN	181	+ 6	Euro. Ferries	162	− 5
Hambros Bank	576	+ 10	Jardine Matheson	205	− 11
ean & Scott	95	+ 8	Laing (J.) A	47	− 3
Lyles (S.)	43	+ 6	Rosehaugh	175	− 8
Paradise (B.)	41	+ 4	Smurfit (Jefferson)	161	− 6
Parker Knoll A	102	+ 9	Tomatin	122	− 9
Rank Org.	160	+ 6	Whatman Rv. Angel	75	− 5
Thorn EMI	340	+ 6	Anglo-Amer. Gold £51¼		− 1¼
Tube Invs.	240	+ 18	Impala Platinum	520	− 18
Turner & Newall	100	+ 4½	Poseidon	327	− 16
ttock Oil	264	+ 24	RTZ	452	− 8
?	390	+ 10	Rustenbg Platinum	325	− 11

Callaghan pleads for party unity, but split remains

BY RICHARD EVANS, LOBBY EDITOR, IN BLACKPOOL

MR. JAMES CALLAGHAN, in what was widely regarded as his valedictory speech as leader of the Labour Party, yesterday pleaded with the party's warring factions to unite against the Government.

But despite the wide praise his speech received, all the signs were that the Left versus Right battle for supremacy will escalate.

Much will depend on the outcome of today's conference debates on the reform of the party constitution, and on crucial policy debates today on EEC membership and tomorrow on defence.

If, as expected, Mr. Callaghan fends off Left-wing attempts to change the method of electing the leader and of drafting the manifesto, the way will be clearer for him to reach a decision on his retirement.

He gave no clear indication of his intentions yesterday, apart from some teasing references, but there is a growing consensus among his closest colleagues that he will announce his retirement to the Parliamentary Labour Party early in November.

The theme of Mr. Callaghan's eloquent and impassioned speech was the desperate need for unity in order to oust what he described as the "reactionary, hardfaced and incompetent" Conservative Government.

"For pity's sake stop arguing," he declared. "The public is crying out for unity in order to get rid of the Thatcher Government."

He seemed to be optimistic about the prospects for the party and claimed to detect a general will emerging at the conference based on the desperate desire for unity.

Labour NEC elections and conference reports. Page 12

But outside the conference at fringe meetings and in private discussions the atmosphere between Left and Right appeared to observers to be more corrosive than ever.

Mr. Callaghan said the need to call a halt to the conflicts that have split the party since the general election defeat was becoming more vital than ever in order to reverse the "calamitous decline" of the country's industrial base.

What had brought him into the Labour movement was the need to prevent a repeat of the 1930s. Yet this was just what was happening under Mrs. Thatcher, whom he described as the most opinionated Premier since Neville Chamberlain.

Looking ofrward to the next Labour Government, he said the top priority must be the restoration of a high and stable level of full employment.

He accepted the need for import controls more openly than on previous occasions. These have been increasingly advocated by trade unions and the Left and Mr. Callaghan emphasised that they would have to be both temporary and selective.

He dealt at length with the need to maintain a nuclear defence capability—the vote on whether the party will adopt unilateral disarmament could go either way.

The debates on defence and the EEC, the issues that most divide Left and Right, will be decisive in reducing the party conflict.

Trade union block votes seem certain to ensure that the conference embraces a policy of giving top priority in the next manifesto to EEC withdrawal. This will make the position of Mrs. Shirley Williams, Dr. David Owen and Mr. William Rodgers considerably more difficult as an election approaches.

EEC marketing deal ends Anglo-French lamb row

BY LARRY KLINGER IN BRUSSELS

EUROPEAN Agriculture Ministers last night reached agreement on a common marketing policy for mutton and lamb. The deal formally ends the "lamb war" that has plagued Anglo-French relations.

The system, which could cost European taxpayers well over £120m a year, will supercede existing national price support systems by putting price guarantees to farmers and import quotas on a Community-wide basis, and will encourage trade in sheepmeat within the Nine. Whitehall believes that British producers could benefit substantially.

Until now, lamb and mutton have been among the few major agricultural commodities excluded from the Common Agricultural Policy. The European Commission believes that the remaining technical details can be resolved so that the arrangement can come fully into effect by October 20.

The most difficult issues were the provision of guarantees to France and Ireland over imports from third countries such as Australia and New Zealand.

The French, who had held out for guarantees lasting four years, agreed to a system of guarantees lasting until the end of March, 1983.

In spite of the agreement, there were still fears that the strains between France and Britain might be revived.

The seasonal increase in lamb supplies may encourage British farmers to seek export outlets.

Arrangements were also agreed for New Zealand butter imports this year, according to which New Zealand will receive the equivalent of 75 per cent of the Community's intervention price in return for a slight reduction of butter imports into the EEC.

The Commission estimates that the scheme of guarantees will cost about 200m units of account a year (about £120m), though critics say this figure will be higher because of the support scheme likely to be approved for member countries.

The British delegation was expressing contentment with the arrangements, claiming that a big proportion of the money will flow to Britain's 80,000 sheep holdings, simply because they produce nearly 50 per cent of the Community's lamb and mutton.

Britain's acceptance of the financial arrangements was also being seen as the reason why it was playing down its earlier opposition to the French and Irish guarantees against third country imports.

The fear is that such guarantees not only go against the Community principle that allows the free distribution of goods once they have met all EEC requirements for entry, but might also open up the possibility of further non-tariff barriers being hidden in the arrangements agreed for the "surveillance" methods to back up the guarantees.

A Commission official said: "One possible scheme is for non-transferable import licences to be issued matching each member's third country import quota. But, even then, one might have to account for each piece of meat that goes into France. The potential for delay, unintentional or otherwise, is obvious if the correct methods of surveillance are not agreed."

Ford to buy BMW diesels

BY IAN HARGREAVES IN DETROIT

FORD has signed an interim agreement with BMW Steyr of Austria to buy diesel engines for use in its larger U.S. cars from the mid-1980s.

The deal will involve up to 100,000 units a year, giving it a probable annual value of more than $100m (£42m).

BMW Steyr is a joint venture by BMW of West Germany and Steyr-Daimler-Puch, of Austria. It was set up specifically to develop and manufacture diesel engines in the Austrian town of Steyr, and is due to come on stream in 1982 with a capacity of 150,000 units a year.

It will be the first time Ford has bought car engines from another company, although it already buys lorry diesel engines from General Motors, Cummins and Caterpillar in the U.S.

The agreement raises doubts about Ford's entire engine strategy in the 1980s. The company had previously rejected any significant use of diesel engines for passenger cars on environmental and performance grounds.

Ford said yesterday that it would continue to work on the advanced Proco, "lean burn" petrol engine, which uses fuel more frugally by mixing more air with the petrol. Ford has long contended that the Proco would eventually provide it with a basic engine design from the mid-1980s, but officials admitted that the BMW deal does signal a change of direction in engine strategy.

Proco will not be cancelled, but it will be more difficult for the project to justify the heavy development expenditure required.

Mr. Philip Caldwell, chairman of Ford, said negotiations with BMW involved the probable purchase of a 2.4 litre six-cylinder turbocharged engine and later of a more advanced four-cylinder engine.

Mr. Volker Doppelfeld, chairman of BMW Steyr, claimed that the new engine, which will also power BMW cars, will be technologically superior to any diesel currently available in the U.S.

General Motors is already extensively committed to a diesel engine programme for its cars, and Volkswagen of America has had great success with its diesel powered Rabbit car, the most fuel economical car in the United States.

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U.S. move to settle war in the Gulf

BY DAVID BUCHAN IN WASHINGTON AND ROGER MATTHEWS IN LONDON

THE UNITED STATES intervened directly for the first time yesterday in the Gulf conflict when Mr. Edmund Muskie, the Secretary of State, conferred with Mr. Saadolin, the Iraqi Foreign Minister, on the war with Iran and four U.S. early warning aircraft were dispatched to Saudi Arabia to shore up its radar system.

These moves came after President Carter met his security advisers late on Monday and then explained to congressional leaders his concern that the policy options in the event of the Iraqi-Iranian war spreading to the remaining oil-producing countries of the Gulf.

The U.S. Administration says it is firmly sticking to its policy of neutrality in the Iraq-Iran war. It stressed that the Iraqi Foreign Minister had asked for the meeting with Mr. Muskie at the United Nations in New York.

Saudi Arabia had requested the despatch of the Airborne Warning and Control Systems (AWACS) aircraft to give it a better radar picture near the Gulf war zone, the U.S. said.

The U.S. Defence Department said the "temporary" deployment of the big AWACS aircraft, which visited Saudi Arabia 18 months ago during the Yemeni war, was "for purely defensive purposes." Operated by American crews, the unarmed aircraft can provide early warning and radar signals to Saudi forces.

But the aircraft also have the range to provide similar services to the smaller Gulf States, from Kuwait near the end of the Gulf to Oman at the entrance, U.S. officials admitted.

Iran has threatened these countries and Saudi Arabia with retaliation if they actively back Iraq in the war. U.S. officials say the Gulf States have provided a few "parking facilities" for Iraqi aircraft, and are worried about Iranian threats to block the strategic Strait of Hormuz.

Administration officials are aware of the dangers of sending the AWACS to Saudi Arabia since the kingdom is effectively regarded as an ally of Iraq by the Revolutionary regime in Tehran.

Mr. Muskie used his talk with Mr. Hammadi to stress the importance of the Gulf and its oil resources to the West and to urge a speedy end to hostilities, officials said after the meeting.

For Congressional leaders, President Carter outlined possible options to deal with trouble in the Gulf affecting the flow of oil to the West. This possibility, is raised by Iraq's demand that Iran cede three islands in the mouth of the Gulf back to their former Gulf rulers.

Mr. Carter told the Capitol Hill leaders no decisions had been made. But he has already canvassed allied leaders on the possibility of a joint naval force to keep the Straits open to oil traffic. In the context of support for Saudi Arabia, the President received strong backing from Senator Frank Church, who said: "The U.S. should be prepared to consider any defensive assistance to that country."

Washington informed the Iranian UN mission that the talks would be held and stressed that it was also ready to meet their officials, as it had been for the past year.

Iraq has not had diplomatic relations with the U.S. since breaking them in the 1967 Arab-Israeli war, although in the past few years commercial links have increased. The U.S. maintains an "interest section" in the Belgian Embassy in Baghdad.

Iranian leaders have already several times accused Iraq of being the tool of "American imperialism" and warned that this would further complicate the position of the U.S. hostages.

IRAQ ORDERS ABADAN ATTACK

Iraq's High Command yesterday ordered a commando assault on the Iranian oil refinery city of Abadan. The refinery has already been severely damaged by the 10 day-old war. Iranian Phantoms bombed Baghdad for the first time since Saturday. A power station and the French-run nuclear research establishment were both damaged.

In spite of the conflict, there is a common view in industrial and diplomatic circles that the supply of oil in the West could be manageable for several months.

Dr. Ulf Lantzke, executive director of the International Energy Agency, said in Paris yesterday that his organisation was still a long way from triggering the emergency oil-sharing mechanism among member countries. Details Page 60.

BL offers 78,000 workers 6% rise

By Philip Bassett, Labour Staff

BL YESTERDAY offered its 78,000 hourly-paid car workers pay increases worth an average of 6.1 per cent, or £5.28 a week. The offer compares with a union claim for an average increase of £17.21 a week or about 20 per cent. But union leaders, who were told by BL in Blackburn yesterday that it had given close consideration to making no offer at all this year because of its serious financial position, did not reject the offer outright. They did, however, make clear their hopes of securing an increase in the offer to something nearer their claim.

The offer is another indication of the determination of employers in both the public and private sectors to keep settlements in this pay round to single percentage figures. It is almost exactly the same as the 6.2 per cent already offered to 2m engineering workers, though BL denied it had been influenced by the Engineering Employers' Federation offer. It is considerable lower than the 10 per cent accepted by Talbot UK car workers and the 8 per cent settlement at Vauxhall Motors.

BL union leaders yesterday asked the company for further information. Particularly they want details about the level of present incentive bonus payments. Further negotiations have been fixed for October 17. The offer is also to be put, for information, to a series of shop stewards' meetings.

The company, which recently reported a first-half loss of £155m, laid stress on its financial position and present market share.

Mr. Geoff Armstrong, BL employee relations director, said: "We had to consider whether we could offer any increase at all this year." Since productivity had increased over the past few months, it was thought "realistic and responsible" for the offer to be pitched at this level.

While the company did not say that 6.1 per cent was its final offer, or give any indication that it would repeat last year's tactic of balloting employees on the offer and then imposing it on the workforce, Mr. Armstrong said that the company thought this offer "should form the

Continued on Back Page

Fiat dispute. Page 3
Talbot to cut white-collar jobs. Page 8

£ in New York

—	Sept. 29	previous
Spot	$2.3868-3878	$2.3860-3870
1 month	0.63-0.56 dis.	0.68-0.63 dis
3 months	1.01-0.94 dis.	1.56-1.51 dis
12 months	1.10-0.95 dis.	1.95-1.80 dis

هكذا من الاصل

Hilary Barnes examines the bitter confrontation over plans to freeze arms spending

Danes fight to save defence consensus

THE Danish Government is embroiled in an unusually serious dispute with the *Opposition parties at home*, and in recriminations with its Atlantic Alliance partners abroad, over its wish to freeze defence spending in *real terms* for the four years 1981-85.

Mr. Anker Jorgensen, the Prime Minister, argues that as there is a serious economic crisis, with a 5 per cent reduction in real wages this year and a halt to the growth of real public spending over some years, defence spending must also be restrained. The hitch is that the high cost of technical innovation in defence means that stabilising defence costs would gradually but significantly reduce real combat strength.

Defence spending has been based on consensus between *the ruling Social Democrats*, the Conservatives, the Liberals and the Radicals for almost 20 years. In 1973 and 1977, these parties concluded four-year spending agreements, removing the subject from the forefront of political infighting for most of the time. The present dispute has erupted because another four-year agreement is due to be completed by spring next year.

The confrontation between the Liberals and Conservatives *and the Social Democrats over* the misleading named "Zero Budget" proposal—the defence budget is fully indexed for wages and prices, which no other Atlantic Alliance country can claim—has become so acute that both sides have raised the possibility that the Government will some time this winter have to put forward a defence Bill *on which it risks defeat* by combination of the pro-Atlantic Alliance Right-Centre parties and the anti-Atlantic Alliance parties of the extreme Left.

No one wants this to happen, except possibly the Left-wing neutralists, as the consequence would be an end to the consensus on defence policy between parties with an overwhelming majority of the seats in the Folketing (Parliament). This consensus has existed ever since Denmark joined the *Atlantic Alliance in 1949*.

The Government has received expressions of serious concern at its defence plans from its closest allies, discreetly from the UK, West Germany and Norway, and loud, clear and publicly from the U.S. In the European and American media this summer, to the immense

irritation of the Danes, the term "Denmarkisation" was coined to define the concept of a country accepting Atlantic Alliance protection without paying a fair share of the costs.

Mr. Harold Brown, the U.S. Defence Secretary, has sent a letter to Mr. Poul Soegaard, the Danish Defence Minister, expressing his fear that Danish forces will not in future be able to perform the tasks assigned to them. "Unless Denmark is able, and is seen to be able, to carry out these tasks, I will find it extremely difficult to justify to Congress and the American public, commitments to reinforce Denmark and pre-position equipment there." the letter stated.

The future combat strength of the Danish defence forces is a matter of concern for the U.S. *Government. because combat* strength has obvious implications for the will to resist, as well as the ability to resist, outright aggression or other forms of pressure.

The Americans believe that European Governments in general—and the Danish Government perhaps more than most

U.S. respect for Danish points of view was not increased when, for example, Prime Minister Anker Joergensen (left) declared that Denmark would not increase defence spending because it was not *prepared to take part in an* escalation of the arms race, a statement for which he received a commendation in Pravda last month.

—have a different perception of the Soviet threat than they do themselves—which enables the *Europeans to take a more* relaxed attitude to their own defence than the U.S. thinks justifiable.

American respect for Danish points of view was not increased when, for example, Mr. Jorgensen declared that Denmark would not increase defence spending because it was not prepared to take part in an escalation of *the* arms race, a statement for which he received a commendation in Pravda last month.

Danish defence spending is about 2.1 per cent of Gross National Product. Denmark is *the Atlantic Alliance's richest* nation per capita, but its spending has always been among the lowest in the alliance—Luxembour" and Canada are lower. Denmark has thus been the object of criticism, but the criticism can be overdone: real *defence spending since 1973* has risen; substantial investment in equipment has been made; the army has acquired *120 Leopard tanks*; the Navy has fast missile-bearing patrol boats, a frigate and two corvettes; the Air Force is now equipped with 58 F-16s. The forces may not be large, but by all accounts equipment and personnel standards are good.

Denmark's mission is to hold off an attacker long enough for reinforcements to arrive, and any *attack on Denmark* will immediately and automatically bring in West German forces. "I consider we have an excellent chance of repelling an attack as things are today." Gen. G. K. Christensen, the Chief of Staff says.

The Allies' chief concern, therefore, is what might happen if the "zero-solution" is implemented. A defence staff study outlines three scenarios: the impact over ten years of a "zero-solution," a 1.5 per cent, and a 3 per cent annual increase in real spending.

The conclusion is that with the zero solution, the strength of all three services will be cut by about one-third by the end of the decade, and even if Denmark lived up to the Atlantic Alliance commitment (on which Denmark reserved *its position*) to increase spending by 3 per cent a year, there would be some reduction in strength. But the cuts are in relation to the force targets set up in the 1973 inter-party defence agreements and confirmed in 1977.

These targets have never been achieved. For instance, the Army has only 120 Leopards, not 200, the Navy 16 fast patrol boats, not 18, and so on. Nevertheless, Mr. Soegaard agreed there would be "some reduction" in defence strength. Gen. Christensen emphasised that the reduction would be considerable, but would take place mainly in the latter part of the decade.

One of the most serious objections to the zero solution defence plan drawn up by the Defence Staff is that one of the two brigades defending the island of Zealand (where Copenhagen is) would be withdrawn to strengthen Jutland, which has absolute priority (if Jutland is lost, the islands cannot be defended). This would leave Zealand and the capital *with almost nothing* to repel or hold an invader if a bridgehead were established.

This is the possibility which so alarmed the U.S. But the Government is working on an alternative model to the one outlined by the Defence Staff, and an attempt will be made to meet the most serious objections. In the end, the Govern*ment may even have* to find some extra money.

But the economic pressures are very real. The Parliamentary group's left wing was slightly strengthened in last October's election

If the Government is forced to put forward a Bill in the 10-party Folketing without an agreed majority, it can count on support from the Radicals for a zero solution, but the Socialist People's Party, the Left Socialists and the Single Tax Party would probably vote against, on the grounds that spending should be cut.

The Conservatives, Liberals, Centre Democrats and Christian People's Party, as well as most members of the Progress Party, would be inclined to vote against on the grounds that spending should increase. However, *the consequences of des*troying the consensus on defence are regarded by the Social Democrats and the other pro-Alliance parties as extremely serious. They will try hard to avoid this outcome. They will probably succeed.

W. German cost of living down 0.1%

By Jonathan Carr in Bonn

THE WEST GERMAN cost of living fell by 0.1 per cent in September against August, according to preliminary figures just released by the Federal Statistical Office.

If confirmed by final data available in about 10 days, this will be the first monthly fall for exactly two years. The August figure showed a rise of 0.1 per cent and the July figure one of 0.2 per cent.

The *Statistical Office also* reported that the cost of living was 5.1 per cent higher in September than in the same month last year, compared with an annual rate of 5.5 per cent in both July and August and one of 6 per cent in June.

These figures taken together provide unmistakable evidence that the inflationary trend is now firmly down, and that there is a good chance the 5 per cent mark at an annual rate will be undercut by year's end.

The trend is encouraging for the Government, which is *facing a general election next* Sunday after a campaign in which inflation, state debt and the strength of the currency have been key issues.

It may also help take some of the heat out of the annual wage *bargaining which is due* to start later this autumn. However, no all the economic evidence is encouraging either for the Government or for the social partners.

For one thing, it has long been *clear* that the Government's initial hopes of an average increase in inflation this year of about 4.5 per cent against 1979 cannot be fulfilled. Factors including the strong rise in the price of oil and *other raw materials* imports put paid to that.

For another, the downward pressure on prices now is partly the result of the general economic downturn. Real growth in GNP fell by 1 *per cent in the second quarter* compared with the booming first quarter and the jobless total rose in August to 865,000, 3.7 per cent of the labour force, compared with 3.5 per cent in August, 1979.

Spanish budget proposes 23% rise in spending

BY ROBERT GRAHAM IN MADRID

GOVERNMENT spending will rise 23 per cent to Pta 2,823bn (£16bn) in Spain next year under the terms of a draft general budget presented to Parliament yesterday by Sr. Jaime Anoveros, the Finance *Minister*. However, the projected public sector deficit of Pta 435bn (£2.47bn) will be almost unchanged on the 1980 figure.

The budget reflects the Government's plans, disclosed to Parliament ten days ago, to accelerate capital investment in the public sector to stimulate the depressed economy. Capital investment is increasing 31 per cent, the most substantial rise being the amount of money available for public works projects and low cost housing. Next year, planned investment in these two areas will rise from Pta 135bn to Pta 179bn.

Sr. Anoveros did not say which parts of planned expenditure had been cut in the past few weeks although it is known that some areas like defence have had their allocations trimmed sharply. Defence spending, *the second largest* item in the general budget after education, is to rise from Pta 286bn (£1.6bn) to Pta 337bn (£1.9bn).

Separate from the general budget are special allocations for the regions, the state's commercial, industrial and financial companies and for the re-organisation of the social security system amounting to Pta 2,084bn (£11.8bn). The large social security budget is balanced by contributions. However, the deficit in the general budget is due to be met through a mix of debt issues on the *domestic market, foreign loans* and direct Bank of Spain funding.

Approximately $1bn will come from foreign borrowing, equivalent to about 16 per cent of the total borrowing requirement. Debt issues on the domestic market will account for funding about 30 per cent of the deficit with the remainder covered by the Bank of Spain.

The draft budget proposes to permit civil servants' salaries to increase by 12 per cent, about five points *below planned* inflation. This increase is almost certain to be treated as a norm for wage negotiations in the private sector as well next year. But the increase is unlikely to be welcomed by employers who have been aiming for around 10 per cent.

There is to be a freeze on civil service recruitment.

The budget also proposed to peg at 1980 levels state support for loss-making public companies and to reduce by 25 per cent the current subsidy on petroleum products. There was no hint of new indirect taxes. The budget will now be debated and is unlikely to be approved by Parliament much before December.

Swiss domestic product 'likely to fall next year'

BY JOHN WICKS IN ZURICH

SWITZERLAND'S gross domestic product is likely to decline slightly next year in real terms, probably by some 0.25 *to 0.5 per cent, says a report* issued by the Zurich Federal Polytechnic Institute for Economic Research.

The institute puts GDP growth for this year at a price-adjusted 1.75 per cent, or more than double the 0.8 per cent registered for 1979.

For 1981 the institute believes that Swiss export volumes will fall slightly from their present high levels, and also demand to weaken in the domestic construction sector. *This should be almost offset*, however, by a continued rise in private, public and capital-goods demand.

A fall of 1 per cent is expected in employment, but still leaving only about 1 per cent of the work-force unemployed. Productivity, up by an estimated 1.25 per cent in 1980, is seen as improving by a further 0.75 per cent next year.

Dutch teachers to strike over pay

By Charles Batchelor in Amsterdam

TEACHERS' *UNIONS in the* Netherlands have called a one-day strike today which is expected to shut many schools. A protest march will be held through The Hague to demonstrate the teachers' opposition to *spending* cuts which threaten salaries.

Unions representing most of the country's 156,000 primary and secondary teachers have either called for a strike or have tacitly approved a work *stoppage. Although teachers* are not legally allowed to strike, a change in the law is being prepared.

The teachers are opposing an attempt by Mr. Arie Pais, the Education Minister, to cut his *salary* bill by Fl 265m (£56m) next year. In presenting his budget the Minister offered teachers a choice of accepting slower salary growth or the loss of jobs.

Their unions argue that teachers are being forced to accept three levels of cuts: the overall restraint on salaries; the cuts in civil *servants' salaries; and* the specific reductions in teachers' pay. Teachers earning less than Fl 2,010 (£428) a month will not be affected but those on higher salaries will be asked to accept reductions of up to 2 per cent.

The teachers are objecting not only to the cuts but also to the fact that their salaries will be "*uncoupled*" from those of civil servants generally. Public sector salaries are indexed to the industrial wage.

The effect of today's strike and demonstration will be reduced since primary and infant schools, as well as some secondary schools, are usually closed on Wednesday after*noons, a Ministry spokesman* said. Teachers who take time off work will lose pay.

They plan to present a petition to MPs after marching through The Hague.

Parliament will debate the education budget early in December. Education was among the hardest hit of the ministries in the 1981 spend*ing cuts and* has been forced to cut Fl 336m (£71m) from salaries and other spending next year, nearly a quarter of *the total reduction* in spending by all government departments.

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FIAT DISPUTE WORSENS

THE DEADLOCK over Fiat's plans t omake heavy cuts in its workforce took a turn for the worse yesterday as metal-workers' union leaders called for nationwide picketing of the group's plants. The move is a step closer to the ultimate union sanction of a full-scale occupation of Fiat factories, writes Rupert Cornwell in Rome.

The decision was taken yesterday after Fiat made public the list of the 24,000 workers to be laid off on a state subsidy scheme between now and the end of this year. The unions say this step was taken unilaterally by the company's management.

Fiat last night described the unions' attitude as "incomprehensible and irresponsible" and a breach of the understanding reached last week in Rome.

The latest twist of events marks a setback for the hopes immediately after the weekend collapse of the Italian Government that a political crisis would at least defuse the increasingly tense confrontation over Fiat.

Fiat announced on Saturday that out of a "sense of responsibility" it was postponing plans to make 14,500 workers in its troubled car and steel divisions redundant. Instead it was reverting to its original plan for 24,000 of its 147,000 employees in Italy to be laid off temporarily.

Italian Government accepts collapse of economic policy

BY RUPERT CORNWELL IN ROME

AS PRESIDENT PERTINI met party leaders to map a path through the latest Italian Government crisis, the outgoing cabinet yesterday signed the death warrant of its previous economic policy.

The price of petrol, raised under the decree law thrown out by Parliament on Saturday, to L750 per litre from midnight last night drops back to L700 (equivalent to £1.48 per gallon). Tax increases on other products, including spirits, are also reversed.

Yesterday's moves were the sequel to Monday night's Cabinet session which concluded that it would be legally impossible to present again even the key parts of the lapsed decree, without a joint appeal from all the parliamentary parties.

A new draft Bill has therefore been launched which in effect legalises retrospectively measures contained in the decree law economic package, which operated in the period since it was launched on July 3.

The damaging effects of all this confusion have not been lost on Italy's political leaders. They threaten once again to undermine the lira, in spite of the bank rate increase and currency controls brought in at the weekend to protect it.

Leaving the Cabinet meeting yesterday, Sig. Giovanni Marcora, the Agriculture Minister, remarked: "what will the outside world think of us, when we cut the price of petrol while Iran and Iraq are fighting a war in the Gulf?"

Meanwhile, the leading Italian banks were expected to take a decision within the next 24 hours to confirm the predicted rise in lending rates to borrowers after the bank rate increase. Given the present stringent controls on bank lending expansion over the next six months, there is little doubt that the rises will be passed on.

Such a move would push up the prime rate for top industrial borrowers to a post-war record of 23 per cent, while ordinary ovedrafts might cost between 25 per cent and 27 per cent.

The immediate outlook for a resolution of the political deadlock is as unpromising as that for the economy. It has emerged here that Sig. Francesco Cossiga, the outgoing Prime Minister, does not want either to take his government back before Parliament for a fresh vote of confidence, or to be renominated as Prime Minister-designate.

In those circumstances, the most probable candidates from the ranks of the ruling Christian Democrats are Sig. Arnaldo Forlani, former Foreign Minister and now party president, and Sig. Flaminio Piccoli, the party secretary.

But nothing will become clear until Sig. Pertini makes his decision known. Nor is there any firm indication of the formula for a new administration.

Army take-over fails to quieten Turkey's 'Wild East'

BY DAVID TONGE, RECENTLY IN SIVEREK

"WE CANNOT walk in these streets. You cannot either," a shopowner said in Siverek, a dusty, fly-ridden town of low black houses, mangy dogs and the scars of battle.

His fear was infectious. Many of the shops around were empty or blackened by flames. In the alleys most of the rock and mud homes had steel-reinforced front doors, but many were obviously deserted.

"Four or five families are leaving each day," the bus company said

Siverek shows at their most acute the problems that Turkey has with its Kurdish minority. Martial law and intense army operations have failed to quieten the country's "Wild East." In Ankara, the generals are worried. Abroad they see the Iraqis seeking to help the Iranian Kurds to fight Ayatollah Khomeini, just as a decade ago the Shah (with help from Israel) was backing the Iraqi Kurds against Baghdad.

About 7m of the world's 12m Kurds live in Turkey and, with two of their neighbours at war, the generals are more anxious than usual about trouble spilling across their border. Last year, rival groups of Iraqi Kurds fought a battle in the snow-covered mountains of south-east Turkey. Last week, the Iraqi-Turkish pipeline was sabotaged inside Turkey—though it is not clear who was responsible.

It is 55 years since the last major Kurdish uprising in Turkey and over 40 since a rebellion by Kurds near Tunceli led to the disappearance of Dersim province from the Turkish map. But the town of Siverek explains why the unrest has continued and why since seizing power on September 12, the generals have had particular problems in Kurdish areas.

Siverek's problem has not been the sectarian violence of central Turkey but two years of what is virtually a peasants' revolt. The south-east has long been a feudal area, with land holdings largely unchanged since the fall of the Ottomans and with the land distribution system described by the World Bank as one of the most inequitable in the world. But recently, the Kurdish clan chiefs, who have relied on the support of the state to maintain their power, have found their hold under threat.

In Siverek the main *aga*, or landowner in Turkey, is Mr. Mehmet Celal Bucak, whhose sway extends over Siverek with its 35.00 0people and about 20 villages. He traditionally delivered the votes of these people to the right-wing Justice Party for which he was a deputy. In exchange he received the backing of Ankara and the authorities.

But two years ago, when the Justice Party was in opposition, a group of young left-wing militants, the *Apocu*, began to attack his armed men. A visit to Siverek is sufficient to convince one that the *Apocu* had won considerable popular backing.

But then the Justice Party returned to power and Mr. Bucak's followers began to receive more support against the *Apocu*. The town became divided into a number of no-go areas.

Today this situation has improved only slightly following

the military take over. More troops now circulate, a tank guards the gates of Mr. Bucak's "chateau—as the locals call it—and Mr. Bucak himself is under arrest, together with many other deputies from the Kurdish areas. But the situation remains tense.

Driving east from Siverek to Diyarbakir, the centre of Turkey's Kurds, it is easy to see how the rule of the gun has prevailed. The landscape is barren and harsh, and in only a few places have the indigenous rocks been pushed aside: "The *aga's* men burn our crops at night if we break the old patterns," one smallholder complained.

In Diyarbakir itself the fear is not of a struggle between peasants and landlords but of one between Kurds and Turks.

It has been a tenet of modern Turkey that "for centuries the Turks and the Kurds have been part of a united whole," as Ismet Inonu, Turkey's chief delegate to the Lausanne peace conference, said in 1923. But the Kurdish language may not be taught in schools; Kurdish books only circulate clandestinely and the singing of some Kurdish folksongs has been used as the basis of a prosecution.

"We are treated by the Turks as the blacks in the U.S. used to be treated by the whites," a shoe-shine boy said in Diyarbakir.

Ankara has long argued that Kurdish cultural demands cannot be equated with, say, those of the Welsh, because in the Middle East minorities have long been manipulated by outsiders. It also argues that the demands are usually advanced by intellectuals, often not resident in the area. To some extent this is true, but what is evident among the younger generation is a frustration which seemed to be absent among their elders.

Feeding this frustration is Ankara's traditional economi neglect of the east. Before the Second World War Ataturk's military advisers opposed building roads to the east as they feared this would open the country to invaders.

One eastern province recently had only one doctor to deal with 215,000 people. The rate of illiteracy in the south-east is 71.5 per cent, compared with a national average of 38 per cent. Infant mortality rates are also far above the national average, as is unemployment.

Poles fear big coal sales loss

By Christopher Bobinski in Warsaw

Poland stands to lose $350m (£147m) worth of export income from hard coal sales this year as a result of a drop in production following widespread miners' strikes at the beginning of September.

Mr. Kazimierz Barcikowski, a Deputy Prime Minister, gave this figure when he told steel workers in Krakow that there would be a 10m tonne shortfall in this year's coal export plan target. The Polish Press has already reported the exhaustion of coal stocks at the ports and that some ships are leaving empty as a result.

Weglokoks, the State coal exporting company, is still awaiting a decision to be taken "at the highest level" on how much coal would be available for export in the last three months of the year.

At present, domestic consumers and the power industry, which is 90 per cent coal-fuelled, have priority. Power station stocks are 650,000 tonnes down on last year.

The Ministry of Mining has said that daily production is about 90,000 tonnes, or 14 per cent, below target. The shortfall so far this year is 4m tonnes. Poland had planned to produce 206m tonnes this year of which 40m tonnes were for export. Hard coal sales bring in around 12 per cent of the country's total export earnings.

Following September's strikes, miners won the right to refuse to work at weekends and this is affecting production. Also, on the insistance of the miners, seven mines have abandoned the "four brigade" system of round-the-clock working.

Meanwhile, Polish radio has reported that a cave-in at the Szombierki mine in Byton, Silesia, killed one miner and injured 13 yesterday morning.

Production targets of yet another of Poland's hard currency earners are also being threatened. The Polish Press agency has reported that copper ore miners are demanding a five-day week and the dropping of the "four brigade" system. The agency estimates that annual copper ore production would drop as a result, to 6.5m tonnes and electrolytic copper production by 90,000 tonnes.

M. CHIRAC—"We have much in common"

Chirac offers Socialist alliance

BY ROBERT MAUTHNER IN PARIS

M JACQUES CHIRAC, the leader of the Gaullist RPR Party, said in Strasbourg yesterday that the Gaullists and the opposition Socialist Party could reach an understanding on condition that the latter broke all its ties with the Communists.

The day that M. Francois Mitterrand, the Socialist leader, abandoned his dream of an alliance with the Communist Party, the French political landscape would change completely, M. Chirac said; adding that the Gaullists and Socialists had much in common on subjects like defence and external relations.

Mr. Chirac, who was speaking at a meeting of Gaullist parliamentarians, was clearly looking ahead to the next presidential election, due in April and May 1981, in which he is expected to be a candidate.

According to the latest public opinion polls, M. Chirac stands little or no chance of beating President Giscard d'Estaing, who will almost certainly run for a second term, and is also likely to lag far behind the Socialist candidate, whether the latter is M. Mitterrand or M. Michel Rocard.

An alliance between the Gaullists and Socialists would clearly enhance the prospects of whichever candidate from the two parties was left to fight it out with M. Giscard d'Estaing in the final ballot.

Unfortunately for M. Chirac, there is no evidence that the Socialists would be prepared to forge closer links with the Gaullists, even if they decide to make a final break with the Communists.

The Socialists have managed to strengthen their position in the country, mainly thanks to their decision to remain a genuinely Left-wing party and their refusal to revert to coalition-building with the Centre Right, which led to their decline under the Fourth Republic.

Moscow talks for India's President

By David Satter in Moscow

INDIA'S President, Mr. Sanjiva Reddy, yesterday met Mr. Leonid Brezhnev, the Soviet President, for talks in the Kremlin at which the two leaders discussed the "heightening of dangerous tension" in Asia.

The Soviet news agency, Tass, said that the talks took place in an atmosphere of "friendship and mutual understanding" but gave no details.

Mr. Reddy is in the Soviet Union for a week and had been expected to concentrate in his talks with Soviet leaders on the war between Iran and Iraq and the situation in Afghanistan, as well as on India's oil needs

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AMERICAN NEWS

New standby talks as IMF accepts Yugoslavia's stability package

BY NICHOLAS COLCHESTER IN WASHINGTON

THE GOVERNMENT of Yugoslavia has had its economic stability and austerity programme accepted by the International Monetary Fund, and is now negotiating a standby facility of around SDR 500m (£274.7m) with the Fund, according to Fund officials at the IMF meeting in Washington.

The Fund's endorsement of Yugoslavia's economic policies could be an important incentive in persuading Western banks to participate in a major syndicated loan for Yugoslavia, which is being gradually stitched together during thet IMF meeting.

Chase Manhattan Bank is the co-ordinating bank in arranging this loan, which should include banks from the U.S., Japan, Canada and the U.K. There is still clearly some way to go in persuading banks in Canada and Japan to participate, and it is too early to talk of the final amount which will be lent, or on what terms.

The terms are, however, expected to embody a maturity of seven to eight years and a margin over interbank rates of about 1½ per cent.

The financing of Yugoslavia's balance of payments deficit is not only problematic because of the political uncertainty in the aftermath to the Tito era. More important has been lending limit problems at some *major banks and also what* many bankers perceive as a disorganised approach to the market.

Nevertheless, finance totalling some $2bn (£838m) does now seem to be falling into place. In addition to the IMF borrowing and the "jumbo" syndicated loan for the National Bank of Yugoslavia, a substantial amount of bilateral credit from specific countries is also being organised.

Kuwait recently agreed to lend the country $250m and Austria has contributed $100m. Talks are continuing in Washington over separate, trade linked, credits from West German and French banks each of which should amount to several hundred million dollars.

Peter Montagnon adds: In addition, Yugoslavia has also arranged what the country's Central Bank Governor, Dr. Ksente Bogoev, describes as "an important economic agreement" with Iraq, as well as requesting credits from Libya and the United Arab Emirates.

In Europe, funds have also been sought on a bilateral basis from banks in Switzerland and Italy.

One encouraging aspect for the banks has been an improvement in the country's balance of payments. The current account deficit is now expected to be held to $2bn this year compared with $3.6bn last year and foreign exchange reserves have also increased substantially in recent months.

Yugosalvia's net foreign debt at the end of 1979 amounted to some $15bn compared with $11.8bn a year earlier.

Jurek Martin reports on the World Bank president's emotional final speech

Changes must be made, says McNamara

THE WORLD BANK'S capital base must be increased and its resources better used if it is to help meet development needs for the rest of the century.

This was the major message of Robert McNamara's 13th and final address to the annual meeting as president of the World Bank, but it was an appearance most marked by poignant emotion.

Shedding his technocratic image, Robert McNamara broke down at the end and, departing from his prepared text, quoted George Bernard Shaw's lines: "You see things as they fly, but I dream things that never were."

Mr. McNamara had suggested three changes which could enable the bank to play a more effective future role:—

● The statutory 35-year-old one-to-one ratio, between its loans and its capital was "no longer really relevant" and led to under-use of bank funds. It should be raised as a supplement to the latest general capital increase.

● A separately financed and capitalised energy affiliate could be created to meet what he argued was the overwhelming need to make the poorest countries more energy self-sufficient.

● The bank's lending and borrowing authority could be raised by increasing subscribed stock, but without extra paid-in capital.

Mr. McNamara suggested that these measures could be taken individually, or in combination. They would, in effect, get round the current climate of budgetary restraint in the developed nations that inhibited the flow of resources for development.

While the proposals were being studied, he said, it would be advistable to cover shorter term needs by bringing *forward as* much as $10bn (£4.2bn) in bank lending earmarket for the more distant future for disbursement in the next five years.

Mr. McNamara's specific prescriptions for the institution he has headed for more than 12 years, were set in the sombre context of the overall plight of the developing nations and their financing needs in the wake of the latest round of oil price increases.

If their hiterto marginal energy reserves of coal, gas, oil, hydro electric power and forest resources could be properly developed, they could reduce their annual oil import bill, now projected at a collective $230bn by the end of the century, by some $50bn.

Mr. McNamara was critical of the inability and unwillingness *of the* industrialised countries to increase their official aid flows.

He singled out the recent action of the British Government in proposing to cut aid to 0.38 per cent of gross national product by 1985 from the 0.49 per cent average of 1977 to 1979, and he noted the continuing difficulties in extracting money from the U.S. Congress.

"What is even more disappointing, the portion of these aid flows that were allocated to the low income countries—which, of course, need them most—was shockingly small in *both absolute and relative* terms."

The developed nations, he urged, should keep at a minimum official assistance at 1978 levels, as measured by the percentage of GNP, while those below the current OECD average of 0.34 per cent of GNP, particularly the U.S. and Japan, should raise their aid flows faster than GNP.

But the underlying theme of Mr. McNamara's address, expressed in, for a technocrat like himself, a rather dramatic *code, was that immediate* financial concerns should not disguise the existence of the most fundamental problem of all: "the persistence of widespread, absolute poverty."

He said it was probable that, in spite of manifold past and future progress, by the end of *this century 800m people would* be living in conditions of abject poverty.

This, he said, was the real intellectual challenge confronting the bank and its sponsors.

"We do not see their faces, we do not know their names, we cannot count their number. But they are there, and their lives have been touched by us, and ours by them," he concluded.

Mr. McNamara . . . "shocking" aid flows

Fund chief sees improvement in world economy

BY PETER RIDDELL IN WASHINGTON

THE PROSPECT of substantial improvement in the international economic environment "by 1985 or so" was held out yesterday by M. Jacques de Larosiere, the managing director of the International Monetary Fund.

Such improvement would be dependent on a continued priority for fighting inflation through monetary and incomes policies, he said, coupled with effective policies on the supply side to boost efficiency and to deal with the supply of energy.

In his opening address to the Fund's annual meeting which started here yesterday M. de Larosiere discussed two alternative approaches for the world economy over the next five or six years.

One is that industrial countries persist in placing the main emphasis on their fight against inflation. "Given the present high rates of inflation in quite a few of these countries, this implies that they accept for some time a reduction in the growth of their nominal demand. It may be expected, on this hypothesis, that inflation in the industrial world gradually decreases, that the rate of growth of real gross national product advances from a low level, and that the recycling problem proves manageable.

"This scenario," M. de Larosiere said, "is certainly not ideal, as it would entail an *increase in economic slack.* It would, however, restore by the mid-1980s an environment conducive to sustained long-run growth."

The second approach supposes that demand management policies make an early shift towards expansion. "Growth rates might improve markedly for a year or two, but inflation would flare up again and upward pressures on the price of oil would intensify. A new shift towards severe restraint of demand would probably then occur, bringing about a fall in rates of economic growth.

"Those countries with weak external positions would see them deteriorate even further, and towards the middle of the decade, recycling problems would become very serious. Several years would have been lost in the fight against inflation, and inflationary expectations would become even more deeply entrenched."

M. de Lorosiere said that he saw no course of policy that could make the economic situation really satisfactory over the next several years. "However, the tackling of inflation — provided it is coupled with effective policies on the supply side — holds out the promise of bringing substantial improvement to the international economic environment by 1985 or so. It will assist in resolving the energy problem and, in this and other ways, it will strengthen the position of the non-oil, less developed countries over the coming years."

This view is in line with the attitudes taken by leading finance ministers at the various meetings here in the past few days.

Mr. de Larosiere also discussed the Fund's role in the light of the increase in the range of borrowing approved by the body's interim committee on Sunday. He defended the policy advice given by the Fund to borrowers and argued that it was "the condition of a country's balance of payments—sometimes in conjunction with the low level of official assistance from abroad—that is the true cause of the harsh adjustment measures that sometimes must be adopted in the attempt to restore its payments equilibrium and to open up prospects of improved future growth."

He also called for an early and positive decision in support of the proposed food import facility. This idea has been criticised by some of the leading industrialised countries here.

The IMF World Bank Meeting

M. De Larosierie . . . imperfect scenario

W. German banks fight U.S. information demands

BY NICHOLAS COLCHESTER

WEST GERMAN banks are having tough discussions with the U.S. Federal Reserve about information which is being demanded of them under the U.S. International Banking Act. This is confirmed by Deutschebank executives at the IMF meeting in Washington.

The problem for the German banks, and for other foreign banks in the U.S., is that the U.S. authorities want to know not just about their branches or subsidiaries in America but also about the German parents. Their demands, says Deutschebank, include information which "we do not have, or should not give, or cannot give under our own bank secrecy laws."

The problem is particularly complicated for the German banks in that they have participations at home in industrial companies which, in some cases, have operations in the U.S. These participations lead to further problems, in that information must be provided about them in America, and because their "non-bank" *activities in the U.S. may con*flict with U.S. banking rules, which are quite strict about what a bank in the U.S. may and may not do.

Deutschebank executives remain adamant that they cannot reveal information which German banking practice forbids them to reveal.

Brazil may reduce nuclear development

BY RIK TURNER IN SAO PAULO

THE APPOINTMENT of Gen. Jose Costa Cavalcanti as president of the Brazilian state electricity concern, Eletrobras, is being seen as heralding a possible slowdown in Brazil's nuclear power development.

Gen. Cavalcanti said at his inauguration that the emphasis in coming decades would be on hydro-electricity, although he added that the nuclear pro*gramme would remain.*

The general is already president of Itaipu Binacional, the $15bn (£6.3bn) Brazilian-Paraguyan hydro-electric dam project. While his statements came as no surprise, they have caused concern among supporters of the nuclear agree*ment Brazil signed with* West Germany in 1975.

By this agreement Brazil is to build eight nuclear reactors by 1990. Three are already under construction but the agreement has come in for much criticism in recent years, and many scientists and politicians are now *calling* for a halt to the programme.

Gen. Cavalcanti put other energy programmes higher on his list of priorities than nuclear power. First came Itaipu, where the *transmission* lines must be installed, and next the hydro-electric plant of Tucurui, in the eastern end of the Amazon basin, which will provide the power for the $30bn multi-mineral project at Carajas.

The general is tipped by the Brazilian Press as a *likely* successor to President João Figueiredo in 1984, and his inauguration ceremony was attended by a host of senior officials.

Although the nuclear programme is carried out by the state nuclear company, Nuclebras, as president of the power company which will be receiving the electricity produced as well as Brazil's biggest hydro electric-project, the general will have considerable say as to where funds should be directed.

If, as he suggested in his speech, these funds "may well tend to become scarcer," his list of priorities could decide how many of the remaining five reactors are built.

New York Met opera season cancelled

By Paul Betts in New York

For the first time in its 97-year history, the Metropolitan Opera of New York, the country's leading opera company, formally cancelled its opera season because of a protracted dispute between management and the company's orchestra.

Although the company did not exclude a resumption of the 1980-81 season later if a settlement was reached with the orchestra, the feeling yesterday was that this was highly unlikely.

The Met blamed the orchestra's rigid demands for a four-performance week instead of a five-performance week as the main reason.

"Acceptance of their proposals would return us to the dark ages—season after season burdened with overwhelming deficits," Mr. Anthony Bliss, executive director, told a Press conference.

"We have worked too hard in recent years to turn this company around both artistically and financially to see it destroyed by giving into the orchestra's demands."

Despite the announcement that the season was "irrevocably cancelled for all practical purposes," the musicians claimed yesterday the Met was bluffing.

The management, however, emphasised that as the contractual obligations of the principal singers expired tomorrow, any further delay in reaching a settlement at this stage made a late opening of the season increasingly improbable.

Mr. Bliss indicated the opera house had no intention of reviving the season if much more of it was lost.

"We simply cannot afford to put on a patched-together season and expect to live up to the artistic standards our audience and contributors rightly demand," he said.

Traditionally, musicians at the Met have been paid higher wages than stage hands and other opera employees. Average orchestra members earn about $37,000 (£15,500) a year. Their current demands would have increased average salaries to $40,000 a year for a 21-hour week.

Corporate paper row likely again after new ruling

BY DAVID LASCELLES IN NEW YORK

THE DEMARCATION dispute between Wall Street investment houses and the commercial banks shows signs of heating up again following a ruling this week by the Fed over who should be allowed to sell commercial paper, a form of short term iou issued by large corporations.

The securities industry asked the Fed to bar banks from this activity on the grounds that it constitutes corporate underwriting, something the banks are not allowed to do under the Glass-Steagall Act of 1933.

However, the Fed said that the practice did not appear to violate the Act because commercial paper is not a security within the meaning of the Act, though it noted that there were some dangers in the practice and said it planned to set up some guidelines.

The securities industry is not satisfied with the ruling and says it may appeal it to a Federal court.

Although somewhat technical, the commercial paper issue is a heated one because it touches on the jealously-guarded dividing lines that prevent the expansion-minded banks from invading what Wall Street's investment and brokerage houses consider to be their exclusive territory.

Commercial paper blossomed during the 1970's into a $120bn (£50.28bn) market because it enabled large corporations to borrow short-term cash from each other without going through the banks, and therefore more cheaply. Actual transactions are handled by the Wall Street institutions, mainly Goldman Sachs and A. G. Becker, which claim to have pioneered the market.

The banks, alarmed by this diversion of huge volume of corporate finance business away from their own books, sought to get in on the act by issuing commercial paper for their own clients. Wall Street reacted strongly and in 1978 made an issue of Bankers Trust's entry into the market. This is the case on which the Fed has now ruled.

The ruling is bound to bring more competition into the commercial paper market, though some banks have preferred to deal only indirectly by setting up lines of credit as a back-up to the commercial paper itself.

Ford chief says success of new range is 'critical'

DEARBORN—The Ford Motor Company yesterday unveiled its 1981 models, hoping the new range of fuel-efficient cars will outsell Japanese imports and reverse the company's mounting losses.

Mr. Donald Petersen, Ford's president, acknowledged that the success of the 1981 models was critical to the company's future, which lost $631.5m (£265m) in the first half of this year in North America.

In Washington, the House Foreign Affairs Committee yesterday passed a resolution urging President Jimmy Carter to seek reductions in Japanese car imports and to try to eliminate Japanese trade barriers on U.S. products. The measure now goes to the full House of Representatives.

Representative Carl Pursell, one of the resolution's sponsors, said it was introduced because of the high unemployment rate among U.S. car workers due in part to increased Japanese imports, which now account for nearly 24 per cent of the U.S. market.

Among the new Ford models is the Escort, the small "world car" developed jointly by engineers in West Germany, the U.S. and Japan. Priced in the U.S. at $5,158 (£2,163) the car's main attraction will be its fuel economy, but it still lags behind the cheaper Japanese imports like Toyota and Datsun.

Reuter

Power link discussed by ASEAN

By Richard Cowper in Bali

ENERGY Ministers from the Association of South East Asian Nations (ASEAN) have discussed an ambitious proposal to link the electricity grids of Indonesia, Malaysia, Singapore and Thailand.

The project, if it gets off the ground, would be the most impressive example yet of the growing economic co-operation between ASEAN countries.

No mention was made of the project in the joint communiqué issued by the Ministers after their first energy conference, but officials said the scheme would fulfil the two most crucial requirements faced by ASEAN nations in the energy field: to ensure security of energy supply and to make use of non-oil-energy resources.

The Ministers did, however, agree to "formulate a framework for co-operation in energy, to enable ASEAN countries to obtain security of supply."

Shortfalls of energy in one country could be made up by another, they said. At the same time, vast untapped resources of coal and geothermal and hydropower could be pushed into the grid.

Indonesia, for example, is believed to have at least 15bn tonnes of coal reserves in south Sumatra. Although its quality is too poor to make it a viable export proposition, if it were converted into electricity, it would make good economic sense to sell that product.

The Ministers put off a decision on the Thai proposal to strengthen the existing ASEAN emergency oil-sharing scheme. The scheme only comes into operation when a member country has a 20 per cent shortfall in its oil energy supply.

Dr. Anuwat Wattanapongsari, Thai Minister of Science, Technology and Energy, said he was disappointed that the Ministers had not agreed to reduce it to 10 per cent.

Israel's new shekel has a jaded look

BY DAVID LENNON IN TEL AVIV

ISRAELIS, struggling to keep pace with price changes in an economy beset with triple-digit inflation, yesterday began adjusting to a new set of prices denominated in shekels.

The biblically-named currency yesterday replaced the totally devalued Israeli pound which has served the country for the past 32 years.

The Israeli pound started life in parity with the pound sterling, but at its demise its value had so fallen that it was being exchanged at I£141.6 to £1 sterling.

Despite the high hopes of the Treasury and the Bank of Israel, there are already clear signs that the shekel, which is worth 10 old Israeli pounds, may fare even worse, unless inflation can be brought down swiftly.

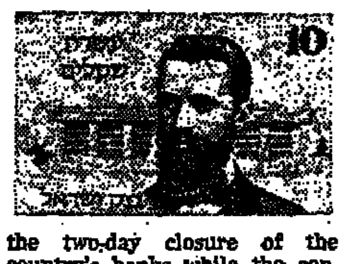
When the intention to introduce the shekel was announced in February, its value was 8.8 to the pound sterling but when it became the new coin of the realm yesterday, it was being exchange at a rate of 14.1 to the £1 sterling.

With the one shekel note worth only slightly over 7p, the agora coins, of which there are 100 to a shekel, have virtually no value at all. The new five and 10 agora coins cannot purchase even the cheapest of childrens' sweets.

It has been estimated that at the current rate of inflation—134 per cent annually—it will take only a little over three years for the shekel to have been devalued to the level of the now disgraced pound.

The problem stems from the failure of the Government to take any measures to protect the new currency which economists here say should have been introduced as the last measure in the process of stabilising the economy.

The economists also complain about the cost of the conversion, reprogramming computers, printing forms and cheques and the two-day closure of the country's banks while the conversion is made.



In an editorial yesterday the Jerusalem Post said: "In the entire history of currency reforms, there is probably no other example of such a meaningless and wasteful exercise."

A quick glance at the Bible reveals that inflation and devaluation of currency are nothing new. The shekel in circulation in Babylon in the third millenium BC had to be replaced by far heavier Phoenician shekel by the fourth century BC.

The search for the biblical roots of the shekel has also led people here to look for other biblical era currencies, which may have to be called back from history if the new shekel fails to survive the ravages of modern Israeli inflation. Names such as Kikar, Zuz and Assimon, are already being discussed.

The Bank of Israel has announced that it will be introducing within months a larger 100-shekel note whose value at today's prices would be £7.

The bank has also begun preparations for a 500-shekel note to be introduced in two years. This will bear a portrait of Edmund de Rothschild, but it is doubtful whether even that famous name will help protect it from heavy devaluation.

● Mr. Gaston Thorn, Luxembourg's Foreign Minister, who is on a Middle East mission on behalf of the European Community met the Israeli Prime Minister, Mr. Menahem Begin, in Jerusalem yesterday. He also had talks with Palestinian leaders from the occupied West Bank and Gaza Strip.

Fraser confident of returning to power

BY PATRICIA NEWBY IN CANBERRA

CONFIDENCE THAT his ruling Liberal-National Country Party coalition will be returned to power in the October 18 Australian Federal Election was evident in a policy speech delivered by Mr. Malcolm Fraser, Australia's Prime Minister, in Melbourne last night.

He caused no surprises and offered virtually no hand-outs to the electorate in the low-key speech which officially launched the Liberal Party's election campaign.

As expected, Mr. Fraser's speech, televised live to the nation, dwelt heavily on the coalition's record of "responsible" economic management over the past five years.

Throughout, Mr. Fraser recalled the economic mismanagement of the Whitlam Labor Government of 1972-75 with phrases such as: "Never forget that five years ago the confidence and optimism of Australians had been shattered."

He also dwelt heavily on resource development, expected to get under-way in the next decade. A Liberal-National Country Party Government would create the kind of economic climate in which investment could take place, he declared.

On economic management, Mr. Fraser said his Government had reduced inflation from 17.6 per cent under Labour to 10.7 per cent. This was 2-3 per cent below the industrial world's average, he added.

Mr. Fraser obliquely mentioned unemployment (at present 5.9 per cent of the country's workforce) with the remark: "I know it is difficult for some people who leave school."

But, he said, his Government was dedicated to strengthening the economy as the only way to create more jobs. He rejected the Labour Party's solution of job-creation as useless and likely to cost the taxpayer A$1bn (£500m).

Mr Bill Hayden, the Labour Opposition leader, will launch his party's campaign tonight with emphasis on the erosion of "family living standards" during the Fraser Government's term of office.

With the opinion polls continuing to show a Fraser victory with a reduced majority, interest has focused on the Senate, where the Government is likely to lose its majority.

An election for half the 64-seat Senate will be held in conjunction with the House of Representatives election. The Senate ballot paper, announced at the weekend, has favourably placed candidates of the Australian Democrats, a minority party led by Senator Don Chipp, a former Liberal Minister.

Australian Democrats are high on the ballot paper and will therefore benefit from the "donkey vote," where electors simply place their preferences in order down the ballot sheet. The Democrats are almost certain to hold the balance of power in the new Senate.

The Australian Democrats are "small L" Liberals who vote with either of the major parties according to the issue.

MEXICO'S GROWTH PROBLEMS

Oil brings little comfort

BY WILLIAM CHISLETT IN MEXICO CITY

"THE ONLY difference the oil has made is that now everything is more expensive. The poor are poorer and the rich richer." Like millions of poor Mexicans, Sr. Miguel Jesus Solis is very cynical about the "Mexican oil miracle." Government propaganda has made him aware that the country is floating on a sea of oil and that the economy is booming, but all he can see is the way prices have shot up.

Since President Jose Lopez Portillo took office in December, 1976, Mexico's oil star has risen. Proven hydrocarbon reserves (Mexico uses a combined figure for oil and gas) have risen ten-fold to 60.1bn barrels, the world's sixth largest, and the current production of 2.3m barrels a day (b/d) is the world's fifth largest. Pemex, the state oil monopoly, will earn about $12bn (£5bn) from foreign sales this year, 65 per cent of total exports.

But the only figure which sticks in Miguel's mind is that inflation this year will be 30 per cent, compared with 20 per cent in 1979. The impressive oil statistics have little meaning for him.

The Government's decision to opt for high growth has aggravated Miguel's problem. Sustained economic expansion is the Government's only means of alleviating massive unemployment. Under the impetus of oil, the economy is growing by 8 per cent for the second year running, as the Government tries to create the 800,000 jobs a year it needs just to keep pace with the rise in population.

While the economy is booming, excess demand and liquidity are fuelling inflation, which the Government sees as a necessary evil. They hope it will be a shortlived one.

Every September for the past six years, Miguel, now 20, has travelled the 30 miles from Toluca to Mexico City. In the two weeks up to September 15, when Mexican nationalism reaches its peak with the commemoration of independence from Spain in 1810, he made about Pesos 1,000 (£18) by selling flags, whistles and confetti.

Now he is back in Toluca. His father, a retired agricultural labourer, receives no pension, and Miguel, the youngest of eight children, helps to support his parents by selling skate boards.

President Jose Lopez Portillo's Government has opted for high economic growth despite the inflationary effects

His dream is shared by some 8m Mexicans out of a labour force of 19m. It is to have a permanent job.

In the past year, sugar has risen from Pesos 2.30 a kilo to Pesos 13 (23p), soft drinks from Pesos 3.60 to Pesos 6 (11p) a bottle, frijoles (kidney beans) from Pesos 6 to as much as Pesos 50 (90p) a kilo depending on the supply, and milk from Pesos 6.50 to Pesos 9.20 (16.5p) a litre, with a further increase expected to Pesos 1 2.

All are basic foods, particularly soft drinks, which Mexicans consume in vast quantities. Their prices have risen particularly those of sugar and frijoles, because of a slump in agricultural production. Food imports this year will be 12.1m tonnes, compared with 3.7m tonnes in 1979.

Inflation is breeding discontent. Strikes and anti-government demonstrations are becoming more common. A recent strike at General Motors lasted 10[illegible] days. But the Government does not feel its expansionary policies directly threaten the political stability in Mexico, which has lasted for 50 years.

The Government admits that 4[illegible] per cent of Mexico's 67m people are undernourished, and that their standard of living is deteriorating.

A litre of petrol, whose domestic price of Pesos 2.80 is heavily subsidised and has not risen in four years, is now three times cheaper than a litre of milk.

"The way things are going we will end up drinking the oil because everything else will be so expensive," said Miguel.

The Government believes oil is a long-term panacea for some of Mexico's injustices. The revenue pouring in is providing a golden opportunity to improve chronic structural defects—like the glaring difference between urban and rural Mexico—and to start to provide a decent health system, schools and houses for the poor.

A policy of monetarism is out of the question in Mexico. But a tougher line may be taken on Government subsidies. President Lopez Portillo admitted this month that subsidies had reached a "monstrous" level.

This year, the Pesos [illegible].4bn (£7.8bn) of subsidies represents [illegible] per cent of the Gross Domestic Product. This enormous sum, mainly given to the oil, steel, electricity, railway and sugar industries, is an important element in the Government's projected net budget deficit of Pesos [illegible]bn in 1980.

Financing the deficit which is now unofficially estimated at nearer Pesos 230bn because of budget overruns, by borrowing or printing new money, contributes further to inflation.

The Government is studying a major reorganisation of its subsidies. This would also be inflationary, but decreased subsidies would reduce the perpetual inflationary strain on the budget, increase government revenue, and create a more realistic pricing system, Government economists say.

£442m allotted for road improvement

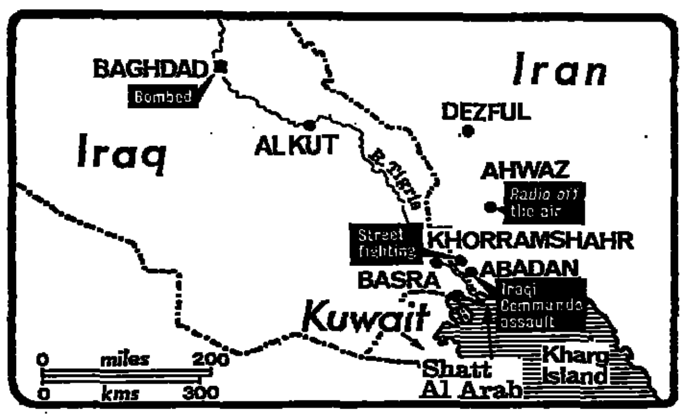
MEXICO'S inadequate transport system, which is holding back economic growth, has been boosted by a Government plan designed to modernise 1,750 miles of roads at a cost of Pesos 24.3bn (£442m) over the next two years, writes William Chislett.

The Public Works Ministry says that some 30 per cent of the country's major roads are in poor repair. Unless they are improved, the roads will not be able to cope with the huge increase in traffic envisaged. The number of cars in Mexico is forecast to increase from 6.6m to as much as 22m by the end of the century.

The speed at which the Mexican economy is expanding is exerting great pressure on the transport system and creating bottlenecks.

Late delivery of machinery is now a major problem for expanding companies. Food supplies are also being hit. This year's food imports will be three times greater than last year's and the inadequate road and rail system is already clogged.

OVERSEAS NEWS



Iranians battle to save four cities

BY ROGER MATTHEWS

IRANIAN fighter-bombers hit Baghdad yesterday for the first time since Saturday as Iran's ground forces fought to prevent Iraq taking full control of the cities of Dezful, Ahwaz, Khorramshahr and Abadan.

The Iraqi army command said that its élite Special Forces had been thrown into the battle for the oil-refining town of Abadan at the mouth of the Shatt al-Arab estuary. The commandos are said to have gone into action before dawn and to have crossed the River Karun which separates Khorramshahr from Abadan.

A military official said fierce hand-to-hand fighting was still raging in the streets of Khorramshahr but that small groups of Iranian revolutionary guards who were putting up the resistance had been cut off from regular forces.

Iranian Phantom fighter-bombers attacked south-western areas of Baghdad yesterday morning sending up huge columns of smoke and drawing fire from surface-to-air missile batteries and anti-aircraft emplacements. The attacking aircraft were reported to have been driven off after a few minutes. Their targets are believed to have been a power station, a refinery, and according to first reports the French-run Iraqi nuclear research centre. The French embassy said the research centre had not been hit.

In the central sector of Khuzestan province, Iraq said it was mopping up pockets of resistance while Tehran insisted that it had launched successful counter attacks. Iraq said it had overrun the radio station at Ahwaz but was not yet claiming to have taken the city.

Contrary to earlier military expectations the Iraqi forces appear determined to occupy the main Iranian cities in Khuzestan province and will not be content with merely isolating them from the rest of the country.

Some Western diplomats believe that President Saddam Hussein of Iraq will be ready for a ceasefire when he controls the four major Iranian towns in Khuzestan. He is particularly anxious for the army to take Dezful and Ahwaz with their important pipeline and communications networks.

However there is no indication that Iran will be ready to accept a ceasefire and certainly not on the terms put forward by Iraq. U.S. officials in Washington have said that they believe the fighting will grind to a halt within another few days unless the warring parties are re-supplied by the super-powers.

While not predicting an immediate end to the war one Administration official said: "The nuts and bolt fighting is pretty much over." The officials added that Iran, with its mainly Western military equipment, must be suffering serious supply problems.

There was no indication yesterday of an ammunition shortage. Heavy artillery fire was reported along the Shatt al-Arab with Iraq bombarding Khorramshahr and Abadan and the Iranians hitting back at Iraqi supply lines and the refinery complex and town of Basra which is said to have suffered badly during the past 10 days.

Although aerial activity has diminished sharply since the end of the last week, Iraq claimed to have shot down two Iranian fighters on Monday at Kirkuk, in the north, and at Basra.

Tankers may be diverted to aid war-hit economies

BY RAY DAFTER, ENERGY EDITOR

OIL COMPANIES may become involved in behind-the-scene moves to help balance world oil supplies. They are looking at ways of diverting tankers to countries worst hit by the cut in exports from Iran and Iraq.

But in spite of the extensive war damage to Iraqi and Iranian oil installations there was a common view in the industry and among diplomats yesterday that the present supply difficulties would be manageable for several months.

The calmness, in the face of a virtual shutdown in supplies from two of the world's most important exporters, stems from the record stock levels—equivalent to over 100 days of consumption — lowered consumption (down 6 per cent in the West as against last year) and spare production capacity in most of the major members of the Organisation of Petroleum Exporting Countries.

"We are better prepared to cope with the current situation than we were during the Iranian crisis," Dr. Ulf Lantzke, executive director of the International Energy Agency, said yesterday.

The IEA is still a long way from triggering the emergency oil-sharing mechanism among member countries. Only ten days ago the market was talking about a glut, Dr. Lantzke said.

However, there is some concern among major oil companies that the demand for fresh oil supplies from importing countries directly affected by the Iraqi-Iranian war could excite the spot market. Prices for both crude oil and products have already risen appreciably although Dr. Lantzke said the increases were within expectations.

Oil companies are worried that big increases in spot rates could lead some of the more hawkish members of OPEC—the North African members in

particular—to raise contract rates again.

As a result some companies are planning to divert tankers to importing countries most in need. A senior oil executive said in New York yesterday that while most of these countries were outside of the International Energy Agency net, "it is in everyone's interest to share the pain."

Countries most affected by the halt of some 2.5m-3.5m barrels of Iranian and Iraqi exports are India, Brazil, Japan, France and Italy. According to oil industry officials in London, Indian fuel-buyers were scouring the world for fresh supplies, believed to be in the region of 300,000 tonnes. It was expected that the Soviet oil industry would provide some help while Western companies would supply the balance. Venezuela and Mexico were expected to help Brazil meet its shortfall.

There was some speculation yesterday that if the disruption to exports continued, other members of OPEC would help out. Setting aside Iraq and Iran, OPEC members were producing some 2.1m barrels a day more oil during the summer of 1979 compared with pre-crisis levels this summer.

Venezuela could easily add 300,000 b/d to its output; the African producers—Nigeria, Algeria and Libya—have the ability to produce a further 800,000 b/d, based on last year's figures, while Kuwait, the United Arab Emirates and Qatar can add a further 1.1m b/d.

Saudi Arabia, which is still maintaining output at a high level of 9.5m b/d, has eased world shortages by raising production levels in the past. According to industry estimates the kingdom could add a further 500,000 b/d to 1m b/d although in view of its current high production level it might well wait for other OPEC members to raise output first.

What is not known is the true extent of the damage to Iranian and Iraqi oil installations. One major Western oil company commented: "As a snap assessment, given the degree of damage we think we are talking about so far, there is nothing that could not be put right within a couple of months." It was felt that even if Iraq's northerly pipelines had been damaged, these could be repaired quickly to enable Iraq to move about one-third of its exports to the Mediterranean.

But the West's escape route remains the high stock levels. It would take a five-month shut down in Iraqi and Iranian production to soak up the higher than average stock levels, according to Petroleum Intelligence Weekly. It might take a full year to deplete all of the world's oil stocks. Even if the Strait of Hormuz were closed, cutting off 17.5m b/d of OPEC exports, the surplus stocks would last for at least one month, giving time for some international action.

Tehran MPs in uproar over hostages

BY A SPECIAL CORRESPONDENT IN TEHRAN

WITH THE war against Iraq possibly about to enter a critical phase, divisions amongst Iran's leaders over the hostage issue have re-surfaced. When Iran's Parliament discussed the issue yesterday only the closure of the session prevented violence breaking out between deputies strongly opposed to holding any direct talks with the U.S. and more moderate members.

Following reports that certain Gulf states are allowing Iraqi forces to use their harbours Iran is taking an increasingly aggressive stance towards its Arab neighbours. The Foreign Ministry yesterday demanded that all states should make their position clear on the Iran-Iraq war.

While Iran continues to claim victories, reports from the war front are still based on military communiqués issued in Tehran or infrequent telephone contact with residents and officials in the affected areas. A tour of the front by foreign correspondents that was due to start yesterday was cancelled at the last moment without explanation.

After three postponements Iran's Majlis yesterday began the process of setting up a committee to deal with the hostage question. Early in the debate Hojatolislam Moussavi Kho'ini, the spokesman of the militant students occupying the U.S. embassy for the last 11 months, said: "We are fighting America so how can we have talks with our enemies?" Replying, Mr. Yadollah Sahabi, an elderly moderate and former Minister for Revolutionary Projects, became the first Iranian political figure to say openly that direct talks with the U.S. were necessary.

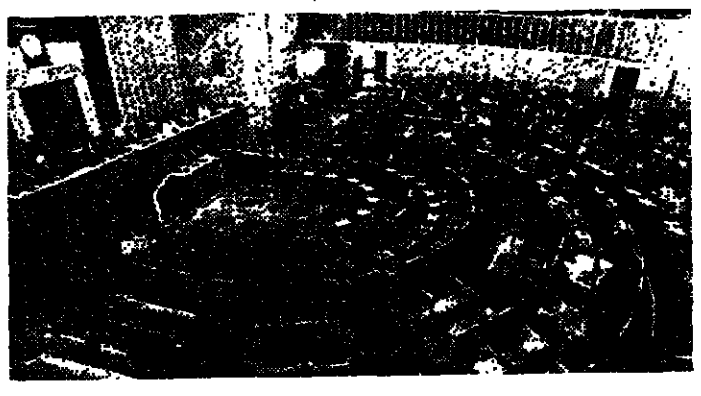
"This is the first time I have heard that we are fighting America," he said. "It is very dangerous for us not to contact America. They have frozen our assets and we must hold talks if we are to get them back." Facing an increasingly enraged assembly, Mr. Sahabi continued: "We have no quarrel with the American people."

Reaction in the Majlis to Mr. Sahabi's comments was so violent that he stopped speaking and made to walk out of the chamber. On his way he was stopped by one of the young fundamentalist deputies who rushed towards him shouting that he was running away. Despite his age Mr. Sahabi had to be restrained from striking his opponent by two other deputies. Ten minutes of total uproar followed and the session was adjourned.

With debate due to recommence tomorrow the only decision taken yesterday was that the committee would have seven members. According to the state radio, it would consider all the treaties and agreements between Iran and the U.S. as well as reviewing the position of each individual hostage. The radio added: "The guilty hostages will be tried and the others will be set free."

The Foreign Ministry yesterday issued a strongly-worded statement calling on all Iran's Arab neighbours to take sides in the current war "for or against Islam."

The same statement denied Iraqi reports that Iran was buying arms from Britain. It is known, however, that Iran is scouring the free arms market for aircraft spare parts and anti-aircraft ammunition.



Deputies of the Iranian Parliament in session.

U.S. may send spy planes to Saudi Arabia to watch Hormuz Strait

BY JAMES BUCHAN IN BAHRAIN

THE U.S. is considering the despatch of Airborne Warning and Control Systems (AWACS) to Saudi Arabia to monitor hostile movements in the Strait of Hormuz. Although U.S. officials in the kingdom have confirmed that the proposal is a serious one—it clearly arose out of weekend talks between Saudi defence leaders and General David Jones, chairman of the U.S. Joint Chiefs of Staff, there is no evidence yet that Saudi Arabia would accept the stationing of AWACS over its territory.

The U.S. move is a response to faers of a shift southwards in the Iraq-Iran conflict with the movement of a small detachment of Iraqi helicopters through Bahrain on Sunday. But whatever Iraq's original intention about opening a second front on the islands of the Greater and Lesser Tumbs and Abu Musa, occupied by Iran in 1971, diplomats in Bahrain believe that the chances of Iraqi action have diminished.

The Iranian Air Force has proved resilient in the fighting and an Iraqi attack on the islands without heavy air cover would be extremely risky. Moreover the United Arab Emirates Government is quite unwilling to be drawn into the conflict.

There are reports in Bahrain, which diplomats have refused to confirm, that Oman has moved aircraft to an airstrip on Goat Island at the head of the Musandam Peninsula. If true, this would act as a further dererrent to Iraqi action.

Saudi Arabia, while attempting to display scrupulous neutrality, has allowed a leaning to Iraq to be interpreted not only from the Saudi Press but from a telephone message to President Saddam Hussein from King Khaled last week. However, Saudi Arabia is deeply worried about any expansion of the conflict.

While it allowed two AWACS to be based in the kingdom during the Yemen war in March 1979, Saudi Arabia is clearly hoping that the mere suggestion from Washington will have an effect.

There is intense feeling in the Gulf that the U.S. should not be drawn into the conflict, even in the most peripheral way. Saudi Arabia is unlikely to raise the temperature by allowing extra production of crude oil to make up for the loss of Iraqi production. The Arabian American Oil Company (Aramco) which operates the oilfields for the Saudi Government, said yesterday that it had received no instructions to raise production.

While offtaking of up to 9.5m barrels a day from the main terminals was moving smoothly yesterday, with tanker nominations being met, the Saudis would consider it foolhardy to increase the traffic through the strait.

USSR to boost energy supply to Comecon bloc

BY DAVID SATTER IN MOSCOW

THE SOVIET UNION will make good its promised increase of 20 per cent in energy deliveries to Comecon in 1981-1985, but almost none of the increase will be in oil, according to the leading Soviet expert on Comecon.

Mr. Oleg Bogomolov, director of the Institute of World Socialist Economics, said in the latest issue of World Marxist Review, a socialist monthly, that Soviet oil deliveries in the next five-year plan period would hold their 1980 level of 80m tonnes a year.

He said, however, that increased deliveries of electricity and natural gas to Comecon would be made possible by completion of large-scale joint Comecon co-operation projects such as the Orenburg gas pipeline and an inter-grid electric transmission line linking up the western Ukraine and Hungary.

Mr. Bogomolov rejected predictions by the U.S. Central Intelligence Agency that Soviet oil exports in the early 1980s would have to be sharply reduced because of dwindling Soviet oil production.

"Considering that the oil-bearing areas of Siberia are not as well explored as the old fields and there is a drive to extract oil in the Siberian north, including the ocean shelf, one may expect a further growth in oil output," he said.

He acknowledged, however, that there was a "new and less favourable situation" in the energy sphere, and Comecon would have to meet its future oil requirements not only through Soviet deliveries but through development of their own deposits

The expected Soviet oil exports to Comecon in 1981-85 will be 400m tonnes, according to Mr. Bogomolov.

This would represent a slight increase over deliveries in the 1976-80 plan period which are expected to total about 370m tonnes, but an insignificant proportion of the overall 20 per cent increase in energy deliveries promised for the 1981-85 period.

Mr. Bogomolov said that calculations showed that Comecon is relatively wasteful in its consumption of energy using 40 per cent more fuel and energy resources per comparable national income unit than the Common Market countries.

Nott mounts fresh trade drive

BY PAUL CHEESERIGHT

MR. JOHN NOTT, the Secretary for Trade, has set up a new Exports to Europe Branch (EEB) within his department, it was announced yesterday.

EEB's aim is not only to identify new sales opportunities but to ensure greater co-ordination of Government's support for industry in a market which already takes 60 per cent of UK exports and includes nine of the top 10 of the UK's trading partners.

The new office is made up basically of the export services and export development branches of the British Overseas Trade Board and most of the commercial relations sections of the Department of Trade.

This is the third step the Government has taken to reorganise the official export support effort. It follows decisions which, first, reduced the budge of the BOTB and, second established a new office to strengthen the support offered to companies engaged in capital project ventures.

The Government's latest move meshes the BOTB more intricately into the civil service

EXPORT EUROPE

apparatus, and more closely aligns policy and promotional work. The new office headed by Mr. David Wiseman, will have five sections, of which four will deal with products and the fifth with commercial relations on a country-by-country basis.

The Setting up of the EEB reflects the dual role played by Mr. John Caines, who is not only chief executive of the BOTB but is also deputy secretary at the Department of Trade.

The Government's motives for founding the EEB appear to be partly political. The new office springs from the Government's wish to solidify UK adherence to the EEC,

At the same time there is official concern that the UK's share of major continental markets remains at a relatively low level.

The EEB will make a special effort to draw second and third tier companies into the export markets by undertaking basic market research and by drawing the results of it to the attention of the companies. In this respect, the establishment of the office ties in with, but was not necessarily motivated by, Government policy to encourage small businesses.

Japan signs steel deal with Moscow

By Richard C. Hanson in Tokyo

THE JAPANESE specialty steel industry has signed a three-year agreement to ship to the Soviet Union 80,000-100,000 tonnes annually of special alloy steel used in the motor industry, starting in 1981.

Japan is already shipping 20,000-25,000 tonnes a quarter of alloy for use in the motor industry to the Soviet Union, roughly the amount being contracted for over the next three years to assure stable supplies. In 1979, shipments averaged 18,000 tonnes a quarter.

Japan provides the Soviet Union with about half the specialty steel it imports from the West.

Led by Daido Steel, the four Japanese companies involved in the contract will renegotiate price levels for the shipments on a quarterly basis.

Kuwait orders five Airbuses

PARIS — Kuwait Airways has ordered an extra five Airbus A310 aircraft, bringing its total orders to 11, Airbus Industrie said.

The airline signed a $300m (£125.5m) contract for six of the aircraft in June. It plans to introduce them into commercial operation in 1983.

The Kuwaiti order brings the total number of airbuses ordered by 36 international airlines to 426 (276 firm orders, and 150 options), of which 282 are for the larger 350-seat A300 and 144 for the 200-seat A310.

Reuter

Mr. Arthur Dunkel takes over as GATT Director-General today

New man for new circumstances

BY PAUL CHEESERIGHT

MR. ARTHUR DUNKEL, a 48-year-old, Swiss trade diplomat, today takes over as Director-General of the General Agreement on Tariffs and Trade (GATT), succeeding Mr. Oliver Long, another Swiss, who is retiring after 12 years at the helm of the international regulatory body.

He is the new man for new circumstances. The Kennedy round of tariff cuts in the 1960s belonged to GATT's first Director-General, Sir Eric Wyndham White. The Tokyo Round and its associated codes on technical barriers to trade, government procurement, subsidies and countervailing duties, dairy products, customs valuation, import licensing, civil aircraft and dumping belonged to Mr. Long.

Implementation of the Tokyo Round and its codes belongs to Mr. Dunkel, but in an unfriendly environment. "The protectionist forces are strong, but the basic system is still intact," he says.

So Mr. Dunkel's first task will be to hold the line—to keep the international trading system as open as possible, steering a course between conflicting pressures.

On one hand, developed countries are becoming increasingly restive about imports which threaten traditional domestic industries — steel, footwear, textiles. On the other developing countries are pushing harder for greater access to these markets, while not being especially enthusiastic about opening up fully their own borders.

GATT'S secretariat is the guardian of 30 years of painstakingly negotiated rules of open trading behaviour, and Mr. Dunkel will not readily accept tampering with the rules.

"When everything is going well and people distort competition, you don't necessarily see it. When economic activity is sluggish, distortion has great importance," he notes.

"I would not exclude that, always in a gentlemanly and diplomatic way, the GATT staff would in a given situation be compelled to take a very firm stand," Mr. Dunkel says. But the stand is not likely to be the stuff of headlines. Rather there will be discreet nudging and

Mr. Arthur Dunkel (right) takes over as Director-General of the GATT from Mr. Olivier Long (left). The open trading system remains largely intact, but the environment is unfriendly for new initiatives.

pushing, what would no doubt be called a pragmatic reaction with a longer view in mind.

That, certainly, would be in character—both in the personal sense as far as Mr. Dunkel is concerned and in the organisational sense as far as the GATT itself is concerned.

Mr. Dunkel has had a long schooling in trade negotiations. For 20 years, in a variety of posts in the Swiss Federal Office for Foreign Economic Affairs he has been active on the international scene in such forums as the Organisation of Economic Co-operation and Development (OECD), the UN Committee on Trade and Development (UNCTAD) and the GATT itself. Since 1976 he has been in charge of Switzerland's international trade policy.

He has few illusions left. He knows that discussions in the GATT are talks about nuts and bolts. "Trade policy," he notes, "is the addition of a great number of very specific problems, and the important thing is to look at these problems, not only on the basis of their own dynamics but also from the point of view of general policy objectives. And the GATT is a set of rules which determines the framework in which you have to act."

The great problem now is that the specific difficulties on import policy, whether it is the EEC on farm products, the U.S. on steel purchases or Brazil on footwear, threaten the general working of the open trading system. In the longer perspective, though, such difficulties appear to GATT insiders no worse than the apparent crises which menaced the system from the time of the U.S. balance-of-payments crisis in the late 1960s onwards.

Overall trade has continued to increase despite the U.S. import surcharge of the Nixon years, the oil crisis of 1973-74, and the recession of the mid-1970s. People were also talking about a trade war in 1970, when the Mills bill, packed full of protectionist proposals, was before the U.S. Congress.

Against such a background, Mr. Dunkel does not feel despondent about his new post at the GATT. "I wouldn't take the job if I felt pessimistic about the system not surviving," he says.

His first task will be to make effective the advances towards trade liberalisation made during the Tokyo Round.

The groundwork has been laid for him. "Altogether it has worked pretty well," said Mr. Long in his last interview before retirement.

The committees to handle the new codes are in place. Substantive talks on implementation have started. But implementation will be more difficult than tariff cuts, which, as Mr. Dunkel observes, are largely self-executing.

He sees his second challenge as trying to evolve general rules for trading between countries in different stages of development and his third in clearing up the problems left over from the Tokyo Round. These include the contentious issue of devising a system of safeguards for industries undercut by cheap imports, and extending co-operation on agricultural trading.

And in the background lurk the longer term challenges of bringing services into the open trading system and handling the political demands, which will come sooner or later from the developing countries for a bigger say in devising international trading rules.

Hitherto, it has been the U.S., the EEC and Japan which have dominated the GATT. This arrangement is not immediately threatened, but there is concern at the GATT about being caught up in the polemic of the North-South dialogue. If rhetoric is engaged, then there could be trouble in the U.S. Congress, it is felt.

ASEAN bid for motor industry

BY RICHARD COWPER IN BALI

INDUSTRY MINISTERS from the Association of Southeast Asian Nations (ASEAN) made a serious attempt yesterday to inject some new life into their programme for regional economic co-operation.

The attempt involves a clear shift in policy towards a greater use of private enterprise and a much greater flexibility in project financing.

The Ministers also moved a small step nearer the creation of ASEAN automotive industry when they agreed on which countries should manufacture a package of motor parts. They allocated diesel engines to Indonesia, Ford passenger car body panels to the Philippines, universal joints to Singapore, body panels for vehicles up to one ton to Thailand and timing chains along with some motorbike parts to Malaysia.

The new sense of realism which was evident at the ministerial conference comes at a time when there was growing concern that not one of the five ASEAN industrial projects mooted in 1976 had yet got off the ground. The reasons for the delay have been varied, with financing and national self-interest the most common immediate causes.

The Ministers agreed that they had tried to go too far too fast and are now calling for a much more flexible approach which, among other things, would allow companies tendering for a joint ASEAN project to offer a competitive package which included financing.

The Ministers also agreed that the participation of all five countries in future ASEAN industrial projects would no longer be required.

They also said that in future they wanted to see a much greater role taken by private enterprise when it came to joint ASEAN economic co-operation projects. To foster this they agreed to set about formulating guidelines on such ventures and to see how they could provide special tariff preferences to help such projects get off the ground.

The conference delayed a decision on a proposal to ask the Japanese to double their financial commitment to the ASEAN joint industrial venture fund to $2bn, but did agree to give the go ahead for an ASEAN fertiliser plant in Bintulu in Sarawak. Construction on an Indonesian urea plant was to have begun this year, but the plant ran into cost overruns, and Indonesia has refused to choose a contractor until a possible new financing package is agreed.

While there are some doubts that much can be achieved in different areas of economic co-operation, many observers believe that a less ambitious and more flexible approach must pay bigger dividends. This was examplified by Mr. A. R. Suhud, Indonesia's Minister of Industry, who told the conference: "Much of the failure of past attempts originated from the wrong approach of adopting from the very beginning a market integration strategy, when what was needed was a step-by-step and partial approach

UK companies receive £26.3m orders

By Our World Trade Staff

UK COMPANIES received orders worth £26.3m last month as a result of the Government's grants and loans programme for developing countries. The Crown Agents administered the orders.

The three biggest contracts went to Vauxhall Motors, which is supplying bus and coach chassis to Bangladesh worth £780,299, to Coventry Climax which is providing £428,816-worth of forklift trucks and spares to Pakistan, and to Stanton and Staveley, which won a £397,306 contract to supply ductile pipes and fittings to Sri Lanka.

The contracts were announced by the Overseas Development Administration, and emphasise the importance of the aid programme as an incidental means of promoting exports. For some smaller companies, these orders provide an opportunity for becoming established in new overseas markets.

Shell and Petroperu edge towards exploration pact

BY DOREEN GILLESPIE IN LIMA

NEGOTIATIONS are now under way between Royal Dutch Shell and Petroperu, for exploration by the Dutch company of two blocks of 1m hectares each in the as yet largely unexplored southern jungle.

The state oil company, which hopes to reach a final agreement by November following an agreement in principle signed September 25, says the Dutch company is to make an initial investment of $100m (£41.6m).

Oil officials say, however, that although Shell has been talking to the Peruvian Government for the past year and has bought seismic data there are still big differences to be cleared up between Shell's proposal and Petroperu's requirements. The agreement signed is basically a memorandum of understanding to continue negotiations according to oil officials.

One of the main points in discussion is the projected production split. Shell has rejected the terms under which two other international oil companies operate in Peru. Occidental Petroleum of Los Angeles and Belco Petroleum of New York since they renegotiated their contracts earlier this year, receive 50 per cent of production from which they pay income-tax and taxes on remittances.

Peru currently produces 200,000 b/d of oil. More than half comes from the northern jungle. Peru is self-sufficient in oil and has some 60,000 b/d over for export.

But Sr. Pedro Pablo Kuczynski, the Energy Minister, says Peru will become an oil importer within the next five years unless new reserves are developed.

Shell will probably reach agreement with Peru early next year. There are other companies seriously interested in exploring like Elf Aquitaine of France, which is interested in offshore fields.

Red tape ties up shipowners

BY OUR ATHENS CORRESPONDENT

EXCESSIVELY bureaucratic procedures are frustrating efforts by Greek shipowners who are pledged to bring in an extra £1bn in foreign exchange to help narrow Greece's widening balance of payments deficit.

According to Bank of Greece figures, foreign exchange earnings from shipping in the first seven months of this year totalled $1.01bn, a 19 per cent increase over the same period in 1979 but well short of the 60 per cent rise pledged by shipowners.

Owners have said they intend to make good their promise to make a determined effort to increase shipping earnings this year to a total of $2.5bn by stepping up the inflow into Greece of foreign exchange through increased ship repair work and eased Greek banking regulations.

Many, however, have said they are irked by the endless bureaucratic obstacles. They also complain that commercial banks have been reluctant in many cases to advance drachma loans (repayable in foreign exchange) for such repairs in Greece on terms negotiated with the Government and since approved by the Currency Committee, the Government's watchdog on monetary policy.

Meanwhile latest figures from the Ministry of Merchant Marine indicate that Greek owners are gradually abandoning foreign flags and registering more of their ships in Greece.

Out of a total of 4,507 ships totalling 49.9m gross tons controlled by Greek interests at the end of July this year, 3,973 vessels grossing 40.2m tons flew the Greek flag, representing 88 per cent of the total. The remainder were registered mainly in Cyprus, Liberia, Panama with a few flying the flags of Lebanon and Singapore.

Estate agent franchising company established

By Tim Dickson

A COMPANY with the aim of making estate agent franchising widespread in the UK was unveiled yesterday. Franchises of estate agents are common in the U.S. where they are believed to handle 35 per cent of all residential properties bought and sold — but the idea is new to the UK.

Realty World Corporation (UK), which has an initial capital of £300,000, is setting up a pilot scheme in the North West of England before expanding its operation nationwide.

In principle, estate agent franchises are like other franchises, such as fast food chains and central heating businesses. By pooling part of their resources, the idea is that small independent firms will benefit from economies of scale and a faster flow of business. The independent agents would all display the Realty nameplate in return for part of their profits.

Realty World Corporation (UK) has been formed to operate the UK licence of Realty World Corporation, one of the largest estate agent franchise networks in the U.S. and Canada with 2,800 offices.

Network

The UK estate agent will enter into a franchise with Realty World International, an arrangement which will bring with it the backing of television and Press advertising, other forms of marketing and training plus a range of additional financial services (where necessary) such as non-building society mortgage finance and insurance.

Realty World's fees will vary from office to office but will involve an annual lump sum of not more than £3,500 plus up to 6 per cent of the estate agent's commission from property sales.

The company says it is negotiating with 50 estate agent offices in the North West and hope to have 25 signed up by the end of the year. The pilot scheme, which will cover the Granada TV area, will begin in January, 1981. Schemes in Yorkshire and the South of England are expected to follow later in the year.

"The scheme offers the consumer for the first time the opportunity to complete most of the complex aspects of house-buying and selling under one roof," Mr. Victor Adey, Realty World's non-executive chairman, who is also chairman of Mercantile Credit, said yesterday. "Through being able to offer such a comprehensive service, the already efficient estate agent can become even more successful."

Mr. Adey stressed that the company was not going to break down traditional relationships between estate agents, insurance brokers and building society managers.

Realty World Corporation, in which Thomson McKinnon, the American investment and broking house, has a controlling interest, will retain a 10 per cent stake in the UK venture. Cannon Assurance will also hold 10 per cent, as will Mr. Richard Kughn, a U.S. property developer.

The remaining 70 per cent is held by executives of the UK board, but negotiations are in progress to enlist another three UK institutional shareholders.

Barclays expects interest rates fall by spring

BY DAVID MARSH

MONEY SUPPLY growth should slacken considerably in the next few months as public sector borrowing falls sharply from the high levels of the first half of the year. This should allow a "significant" fall in interest rates between now and next spring without any damage to the Government's medium-term financial strategy, according to Barclays Bank in its latest financial survey.

Interest rate cuts should be possible in spite of a recession-induced rise in the Public Sector Borrowing Requirement to about £10bn for 1980-81, £1.5bn above target, it says.

Barclays says that monetary policy has in fact been fairly restrictive despite the rapid growth in sterling M3, the Government's main money supply yardstick, since the abolition of "corset" controls in June.

"The view that recent money supply data have revealed no *slowdown in monetary* expansion throughout the whole of the last year and a half is misleading."

Barclays has made several calls during the last few months for a cut in Minimum Lending Rate. It says that lower interest rates would actually reinforce monetary control, partly by allowing companies to finance their borrowing in the long term capital markets rather than through borrowing from banks.

It would also reduce the extent to which companies need to borrow *to finance* interest payments.

Barclays says that the closest estimate of underlying monetary expansion during the past year is provided by the broad measure of private sector liquidity—PSL 2—published by the Bank of England.

This rose by 11 per cent in the 12 months to April, 1980. PSL 2 includes additional money market instruments and building society shares and deposits as well as deposits included in sterling M3.

Sterling M3 has expanded by 38 per cent at an annual rate since April, although PSL 2 has *grown less fast*, at an annual rate of 22 per cent. During the next eight months however, sterling M3 is likely to rise at an annual rate of less than 7 per cent.

This would produce a sterling M3 growth rate of 17 per cent for the year to next April. However, Barclays says around one-third of this increase would be due to the unwinding of distortions caused by the "corset" controls, so underlying sterling M3 growth would be less than 11 per cent.

"Our forecast ... would seem compatible with any reduced target rate for monetary growth that might be announced. As such it should also be compatible with a significant reduction in interest rates over the period."

Howell awards mainland oil licences

By Maurice Samuelson

TEN new licences to explore for oil on land in Scotland and England have been awarded by Mr. David Howell, the Energy Secretary.

The licences cover parts of the Fife and Tayside regions of Scotland; Yorkshire; Humberside; the Home Counties and Hampshire.

The leading companies in the successful consortia are North Sea Petroleums, RTZ Oil and Gas, Amoco UK Petroleum, Ultramer Exploration and British Sun Oil Company.

The new awards bring to 108 the total number of onshore exploration licences currently in force, in addition to 29 production and 14 mining licences for petroleum.

Exploration licences authorise holders to search for oil and gas but not to start production.

Last year, 120,000 tonnes of oil were produced from landward sources in the UK. This is expected to increase significantly with the further development of the British Gas/BP field at Wytch Farm in Dorset, whose recoverable reserves are thought to be similar in size to those of a small North Sea field.

Midlands companies want MLR reduced by 4%

BY LORNE BARLING

NEARLY TWO-THIRDS of companies in the West Midlands, the country's major manufacturing area, are working at less than 80 per cent of capacity, according to a survey of industrial activity over the past three months.

The survey, which shows a rapid decline in output and confidence during the third quarter, has prompted the regional group of Chambers of Commerce to launch a major campaign for changes in government policy.

Letters will be sent to key Ministers and local MPs calling for measures which will end the decline in domestic demand and improve conditions for exporters.

The survey shows that industry in the area sees no easing of the recession, with 77 per cent of the companies questioned experiencing a fall in domestic orders compared with 68 per cent during the second quarter.

Although exports deliveries and orders have fallen only slightly during the past three months, Mr. James Ackers, chairman of the regional group, said that a decline in this sector was inevitable when the full impact of sterling's strength hit exporters.

He said the group was calling for a 4 per cent drop in the Minimum Lending Rate, and measures which would prevent a further substantial transfer of resources from the private manufacturing sector to the public sector.

"The transfer that has already taken place is the exact opposite of government policy, and can only be stopped by lower levels of pay settlements in the public sector," Mr. Ackers said.

The survey also showed that destocking by industry in the area is far from over, with 56 per cent of respondents intending to lower stock levels during the next three months, compared with 42 per cent in the second quarter.

More than half the companies questioned said they had reduced their work force in the past three months. Nearly half intend to make further redundancies before the end of the year.

Although more than 80 per cent of companies saw a drop in interest rates as the factor most likely to improve their prospects, this was slightly less than before, indicating that stringency measures have improved company liquidity in some cases.

Nevertheless, Mr. Ackers said that unless there were changes such as a fall in the value of sterling, lower energy costs and measures to improve domestic demand, there would be numerous casualties among over-geared companies.

Export limits by makers bring fall in sales of Japanese cars

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

EFFORTS ARE being made by the Japanese manufacturers to pull back their UK new car market share to 11 per cent.

The cut in exports was reflected in car shipments to the UK from Japan in September which were only one-third of those for the same month last year.

In the UK, restrictions on supplies to retailers by the import companies produced a marked reduction in the Japanese share of the new car marke tin the first 26 days of September. It fell to 12.5 per cent compared with a 19.7 per cent penetration in August.

Datsun, the leading Japanese importer, accounted for 6 per cent of the new car market against 11 per cent in August. The company confirmed yesterday that it intends to hold its 1980 market share at about 6 per cent, unchanged from last year.

Datsun's deliveries to dealers had been limited since mid-August, it said.

Toyota, the second-largest Japanese importer, said the company in Japan had urged it to hold 1980 sales to 27,000 cars compared with 32,000 last year. But more than 27,000 had already gone to the dealers so that target would be exceeded.

This activity follows the visit to Japan last month of a delegation from the UK Society of Motor Manufacturers and traders which received a further undertaking from the Japanese Automobile Manufacturers Association—that it would continue to take a "prudent" view of the British market.

This was taken by the British manufacturers to mean that the Japanese would voluntarily restrict their market share to between 10 and 1 1per cent this year, in line with the 1979 penetration.

Total September new car sales will be about 103,000, according to unofficial figures *circulating in the trade*, compared with 109,000 in the same month last year.

With a few days' statistics still to come, the BL market share—boosted by another major price cutting campaign—was up at 21 per cent compared with only 15 per cent in August. Ford continued as market leader with 28 per cent.

Nuffield Trust cuts provident ties

NUFFIELD Nursing Homes Trust, the UK's largest independent hospital group, is to sever its formal ties with the two major provident associations, British United Provident Association and Private Patients Plan.

The Trust said it was felt the large number of BUPA and PPP directors on the board could cause embarrassment.

The Trust was set up by BUPA in 1957 as an independent charity. At the end of *last year it had 30 hospitals* providing just over 1,000 beds.

Both BUPA and PPP, which have financially *supported the Trust in the past*, have promised continued financial assistance.

Talbot to shed 10% of white-collar jobs

BY JOHN GRIFFITHS

TALBOT UK is to make redundant about *490 white-collar* workers—more than 10 per cent of its staff employees—within the next month. The company said yesterday that production manning levels are also "under review."

Most of the white-collar workers are employed at the Whitley technical, administrative and clerical centre near Coventry. Others affected are at the Ryton and Stoke plants nearby. Talbot blamed the move on the recession and uncertain prospects for the industry.

Yesterday's announcement comes less than a week after M. Jean-Paul Parayre, the chairman of Peugeot SA, Talbot's owner, had announced a major reorganisation of the Peugeot empire which means that Talbot cars will be marketed mainly through Peugeot dealerships in Europe and the Talbot company will effectively be reduced to a car design and assembly operation.

The possible exception is in the UK, where Talbot's larger dealer network, 600 compared with Peugeot's 250, may lead to Talbot overseeing the group's *operations.*

M. Parayre said last week that Talbot/France was overstaffed by about 2,500 and that there would also have to be redundancies "at all levels" in *the UK. Talbot's UK management* said afterwards that redundancies were likely to be confined to "about 200" white-collar workers.

Talbot UK workers are already on a three-day week at the Lynwood, Scotland, plant which produces the Sunbeam and Avenger models; on a two- or three-day week at Ryton, where Alpine and Solara models are assembled; and on a one-day week at the Stoke engine plant which supplies kits to Iran.

Talbot's sales in the UK have slipped by nearly a third in the past year, and sales of both the Talbot and Peugeot marques *have fallen by about 20 per cent* elsewhere in Europe. Only Citroen, the other main component of the Peugeot group, has roughly maintained its market share during the recession.

● The Tagora, Talbot's replacement for its ageing, Spanish-built Chrysler two-litre model, was unveiled at the Paris motor show yesterday. Talbot intends it to compete in the executive market with cars such as the Ford Granada *and Rover*. It is to be built in France, where it will go on sale in February, with imports to the UK starting shortly afterwards.

Moxon wins FT cloth design award

MOXON, HUDDERSFIELD, part of Allied Textiles, is the winner of a cloth design award for wool textile producers sponsored by the Financial Times.

The award, one of six sponsored by UK industrial groups and banks in a competition organised by the Confederation of British Wool Textiles, will be presented on October 8 during the Fabrex Exhibition at Olympia, London.

Moxon's award is for cloth entered in a category for weekend casuals. Second place was taken by Castleisland Spinning and Weaving, of Northern Ireland. Moxon also won an award in another category, and two awards went to John Foster, of Bradford. Other winners were Martin, Sons, of Huddersfield, and W. E. Yates of Leeds.

The wool textile industry is mounting its own joint stand at Fabrex for the first time under the title London 80. A total of 53 manufacturers will be exhibiting.

The industry regularly exhibits in Germany, the U.S. and Japan — three of its main markets — and has recently completed a major promotion in the Middle East. Total exports by the industry are running at about £400m a year.

The award scheme, *inaugurated* this year, is intended to encourage the design efforts of the industry which is facing increasing competition in all its markets.

Debenhams opens optician unit

BY GARETH GRIFFITHS

DEBENHAMS yesterday opened an opticians' unit in its store in London's Oxford Street, and announced its intention to have 30 such units in operation by next autumn.

The opening comes at a time when the Government is planning to relax rules governing the advertising of spectacles. It wants to inject competition into the ophthalmic industry. The Government has said it considers the price of spectacles to be too high.

Debenhams will not have any say in the pricing policy of the opticians' units. The company believes the establishment of specialised shops within stores will stimulate buiness.

The company has already opened 12 opticians' units in stores around the country. Selfridges opened a similar unit in its Oxford Street store last month. The units are run by opticians who in most cases rent the floor space from the store.

Mr. Peter Carr, Debenhams' managing director, said the average price of spectacles would be a little less than £60 a pair. In accordance with the Opticians Act, prices would not be advertised.

Debenhams has run into some opposition from the ophthalmic industry, but the company says it believes services and products should be made easier to obtain, and that misunderstanding should be avoided by the provision of precise, accurate and clearly presented information.

The spectacles on sale at Debenhams will tend to be of the more fashionable sort but the store said a wide range would be stocked by the opticians. The company renting *all the units* is American-based.

Mr. Carr said he hoped the Debenhams Gloucester store would open a general practitioner's surgery next year. The *local committee of the British* Medical Association had given its approval and the scheme would operate in the same way as an ordinary GP's practice.

Medical services would by this means be able to operate from prime sites in town centres, Mr. Carr said. Debenhams now lets 18.4 per cent of its 4.3m sq ft of selling space to organisations like building societies, travel agencies, electricity showrooms and opticians. There are plans to attract dentists and chemists.

The possibility or specialised shops being based in department stores is more than 100 years old, but has recently become very fashionable among retailers as a way of presenting *a package of services for* the shopper. Mr. Carr, who previously ran Debenhams' "shop-in-shop" operations, said the additional services attracted *new customers and modern* selling techniques enabled less floor space than previously to be used.

Radio 4 'in danger'

RADIO FOUR, the BBC's most expensive radio service, would "clearly be in danger" if the BBC does not get enough extra licence money to keep pace with inflation or if television is allowed a bigger share of licence revenue, according to Miss Monica Sims, the channel's controller.

The BBC is currently campaigning for a £50 licence fee *to replace the present £34* colour set fee.

"If Radio Four was to be removed, or shared out between other networks, or *combined into local radio*, the main cultural centre of BBC radio would collapse," said Miss Sims.

Fire safety campaign

NEW SAFETY regulations for upholstered furniture come into force today, publicised by a £25,000 Government information campaign.

Upholstered furniture which fails safety tests involving cigarettes and matches will have to carry a permanent warning label.

Mrs. Sally Oppenheim, Minister for Consumer Affairs, *who launched the publicity* campaign yesterday, said the regulations would make Britain a world leader in furniture safety.

***However*, the new regulations have been criticised by some companies for being unworkable.**

executive visit

THE GOVERNMENT will be host in London early next week to 50 chairmen and other *chief executives of U.S.* manufacturing companies, banks and insurance businesses who may be interested in investing in the UK.

Hadam Hall's first day raises £121,400

SOTHEBY'S yesterday started a two-day sale of the contents of Much Hadam Hall, Hertfordshire, at the direction of Mr. Richard de la Mare. The morning was devoted to Japanese works of art. It totalled £58,871, with top prices of £3,800 for a *rare Arita jar* of the 18th Century and £2,500 for a pair of Kakiemon jardinières of about 1700. Only one lot was unsold. Many Japanese buyers were *present*.

In the afternoon, Chinese porcelain added £62,529, with a blue-and-white Q'ianlong fishbowl making £7,000. The total for the day was £121,400.

Also at Sotheby's, coins brought in £109,640, with a highest price of £11,000 paid by Bord, the London dealer, for a gold 12 ducats of 1641 depicting Ferdinand III of Austria. European ceramics brought in £96,469, a 41-ipece Coalport dessert service selling for £3,700.

At *Bonham's silver* sale yesterday there were indications that dealers were buying again. A Paul Storr dressing-case, made in 1829 for an Irish peer and equipped with everything from a jug for hot water to a tongue scraper, sold for £7,800. A casket given by Queen Victoria to Pol Plancon, the opera singer, made £620. The sale totalled £53,425.

Christie's sold old master prints for £64,800, a top price of £1,100 being paid by Ridinger, a German dealer, for a Rembrandt etching of Abraham entertaining the *angels. An officer's* helmet of the Household Cavalry, dating from 1817-1820, sold at Christie's South Kensington for £1,800.

SALEROOM

BY ANTONY THORNCROFT

Research and testing link

THE MANCHESTER Chamber of Commerce Testing House and the Shirley Institute are to pool resources. The link-up will provide some of the best research and testing facilities for industry in the UK.

The deal is aimed at providing a more comprehensive service for clients, expanding business and cutting out duplication of facilities. The two bodies will retain their independence.

Thatcher policy on EEC 'will change in 1981'

By Philip Rawstorne

THE GOVERNMENT will have no option but to consider changes in its EEC policy next year, Mr. Teddy Taylor, Tory MP for Southend East, said last night.

As the EEC runs out of money, the Government will have to agree to contribute more resources to it or wind down some EEC activities and transfer them to national Governments, he said in Tonbridge.

Mr. Taylor, who resigned from the Edward Heath Government because of his opposition to EEC membership, complained that the party conference would not be debating the "difficult trauma" of the EEC next week.

It would have provided an opportunity to see whether the party's grassroots shared in the substantial shift of opinion against the Common Market, he said.

Unit trust buys in U.S.

BY ERIC SHORT

THE Pension Fund Property Unit Trust, the largest property unit trust in the UK, has completed the purchase of its *third investment in the U.S.* It has acquired a 300,000 sq ft package of office and industrial properties from Trammell Crow Group, the U.S. development *organisation.*

The total purchase price was about $11m. The current gross income is just over $1m a year before debt service.

The *package comprises* a warehouse at Bensenville, Illinois, a prime industrial location two miles west of O'Hare Airport, Chicago, two service centre buildings in the same area, and a warehouse in South Holland, a Chicago suburb. All but 3,000 sq ft of the package is fully let.

The unit trust offers UK pension funds and charities a vehicle for direct property investment in which the funds *are not involved in the management* of the properties but do not lose the benefits of their favourable tax status as with investment in property *company shares. The total* value of the fund is about £250m, of which £230m comprises the property portfolio.

William Hall meets the chairman of Ocean Transport and Trading

Greybeard replaces the last of the student princes

UNLIKE HIS predecessors, Bill Menzies-Wilson, who takes over as chairman of Ocean Transport and Trading today, is not one of Alfred Holt's "student princes."

Until the early 1970s Ocean Transport was regarded in its home town of Liverpool as Alfred Holt.

Alfred and Philip Holt founded the Ocean Steam Ship Company in 1865. Until recently there was still a heavy family influence and chairmen tended to be picked from the annual crop of Oxbridge first class honours graduates.

But times change. Ocean took over Wm. Cory in 1972 *after a fierce battle* with Jessel Securities. Soon afterwards Mr. Menzies-Wilson was brought in from British Steel to run the new acquisition, and he has never looked back.

He will undoubtedly cut a different style at Ocean. His predecessor, Sir Lindsay Alexander, retired as chairman at 60, Ocean's obligatory retirement date.

Sir Lindsay, very much an intelectual, was one of the last "student princes" at Ocean.

He joined Ocean Steam in 1947 and quickly worked his way through the organisation. By contrast, Mr. Menzies Wilson is not a shipping man. Shortly after Sir Lindsay joined Ocean, *he embarked on a successful* career in the steel industry, first with Stewart and Lloyd's and then with British Steel.

Although he is only 54, Mr. *Menzies-Wilson regards himself* as the "greybeard" of the organisation. He points with pride to the fact that the rest of his executive directors are under 50.

Under Sir Lindsay, Ocean's top management used to be controlled by an executive committee. This has now been allowed to lapse.

Mr. Menzies-Wilson is combining the role of chief executive and chairman, and, with the help of David Hardy, the finance director, will take the strategic decisions.

One of his first priorities will be to decide the level of Ocean's commitment to shipping over the next few years.

Under Sir Lindsay, Ocean diversified into a number of landbased activities which paid off in the recent shipping recession, when the non-shipping operations provided a valuable source of cash flow.

Mr. Menzies-Wilson firmly believes, however, that Ocean is first and foremost a shipping company. Deep sea shipping still accounts for 75 per cent of the group's net assets, and although the intention is to reduce this proportion, shipping will remain the main Ocean business.

Many of Ocean's liner services *have already* been swallowed up by Overseas Containers Ltd. (OCL) and it is not inconceivable that Ocean's important West African trades could also be *absorbed. They* could account for close to one third of the company's pre-tax profits in the current year.

The fact that OCL now appears to be growing larger than its parents (P & O, British and Commonwealth, and Ocean) does not unduly concern, Mr. Menzies-Wilson. He sits on the *OCL board and is happy* with the degree of shareholder control over what is now one of the world's biggest container shipping companies.

He does not see Ocean taking any major investments in the short term. It has just about completed its major fleet replacement programme and is saddled with heavy borrowings as a result. But he does not rule out selling some of the view ships and replacing them with others.

One senses that he secretly regrets the restraints which public ownership places on shipping companies. The heavy borrowings have been criticised by many City analysts, causing Ocean to err on the side of caution in its recent actions.

The company toyed with the idea of time chartering sizeable amounts of bulk shipping tonnage when the market was low 18 months ago.

With hindsight this major policy innovation would have been a sensible move. But Ocean flunked it and has failed to make the most of the major improvement in the bulk trades. Under Mr. Menzies-Wilson, the company might not be so timid next time round.

He stresses the importance of *having the financial strength* to enable the group to risk some of its capital on new projects. He describes himself as "quite an opportunist" and is not ayerse to taking Ocean into new areas if a good opportunity presents itself.

He admits that if he saw his main job as maximising the return to shareholders he would sell the ships and invest the proceeds in the gilt-edged market.

But in common with his predecessors, he regards his responsibilities to his employees as equally important. For this reason Ocean is likely to remain one of Britain's best managed shipping companies, albeit not as adventurous as it was in Alfred Holt's day.

Kenneth Gooding studies the problems facing the first new version for 15 years of the most famous British car

Rolls-Royce launches its Silver Spirit

ROLLS-ROYCE MOTORS today launches its new "family" of cars led by the Silver Spirit, which will cost £49,829 in the UK, up 18.27 per cent from the Silver Shadow model it replaces. The new cars were developed over five years at a cost of £50m.

With a Bentley badge, the same car will be called the Mulsanne, while the long-wheelbase version, named Silver Spur, is priced at £56,407—14 per cent more than the Silver Wraith it replaces.

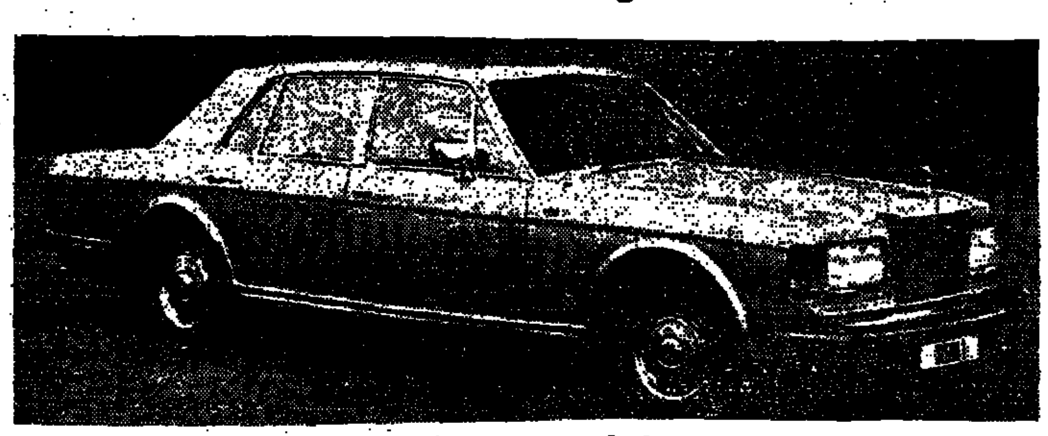
The Silver Shadow series has been the most successful Rolls-Royce has produced. In the 15 years since it was introduced, 32,300 cars have been made of which 17,000 were exported. So the company has a great deal at stake with the new models.

Rolls-Royce is virtually a one-product company as far as its car business is concerned. And today it is changing that product.

Rolls-Royce spent its £50m in engineering costs, body tooling and in new facilities at Crewe, where the new car will be built and where it was designed completely by the company's own engineering staff.

The aim was to produce a new Rolls-Royce which was modern and aerodynamically efficient yet retaining the traditional elegance associated with the company's cars.

Rolls-Royce policy has been not to change too much at once. So, apart from the body changes, the most significant other alteration has been the introduction of a rear suspension system new to this part of the range.



The Silver Spirit: Not too much changed at once

The company had enormous problems in 1965 whe nit introduced the all-new Silver Shadow. Output at Crewe almost came to a standstill because the work-force had so much to learn.

This time the change-over should be much smoother. Already Rolls-Royce has built one car for each of its 82 British distributors and for those on the Continent and the Middle East.

Throughput at Crewe will also be kept up at reasonable levels as output of the Silver Shadow will continue for some time. The U.S. market will not receive the Spirit until next spring.

Originally, it was intended there should be only a three-month gap between the European and the American launches. But Rolls-Royce sales were hit by high interest rates earlier this year in the U.S. and there are about 700 in stock compared with the 500-600 in more normal times.

The market has picked up again but Rolls-Royce will not sell the hoped-for 1,000 cars in tthe U.S. this year. The total will be between 950-980. About half of all Rolls-Royce car exports go to the U.S.

The American problems, coupled with the high value of sterling and high interest rates around the world, have already had their impact on the export business. Usually it accounts for around 60 per cent of car sales but this year will provide only half the total.

The U.S. subsidiary this year took over the distribution of Lotus sports cars in America, but this is proving to be a difficult business. So far, 32 of Rolls-Royce's 68 American dealers have taken the Lotus franchise and between them they might sell 200-250 this year.

In the UK, Rolls-Royce claims to have shown more resilience than most other manufacturers in the face of the sharp downturn in demand for cars with large engines and the fall in total new car sales of more than 9 per cent by the end of August. Registrations of Rolls-Royce cars have slipped only 4 per cent so far this year and the company expects to make only 50 or so fewer than the 3,343 built in 1979.

Rolls-Royce Motors made steady progress nearly every year since it broke its links with the aerospace concern after the financial collapse in the early 1970s. Rolls-Royce Motors was formed in 1971 and took in the diesel engine operations as well as the car business. It soon gained a Stock Exchange quotation.

Meanwhile, the aerospace operations, known as Rolls-Royce (1971), have become State-owned

Rolls-Royce Motors' steady progress came to a halt in 1979 when it was hit by the engineering strike, the haulage dispute and the cancellation of the order for diesel engines to go into tanks ordered by the Shah of Iran.

While turnover increased that year from £152m to £158m, taxable profits dropped 49 per cent from £14.63m to £7.145m. At the halfway stage this year they were down again, from £4.85m to £1.24m.

This fall coincided with the peak of the company's investment programme. It spent £20m in 1979 and should have paid out even more if it had been able to keep to its original plans. Borrowings increased and the Board reckoned that Rolls-Royce would not get back to a positive cash flow until 1981

These events indicated to the chastened directors that perhaps Rolls-Royce Motors had too narrow a base of specialised engineering products. When Vickers suggested earlier this year a merger to widen that base, they accepted with alacrity.

One of the major attractions for Vickers was that it could strengthen its management, particularly by recruiting Mr. David Plastow, managing-director of Rolls-Royce Motors, as chief executive of the combined Vickers - Rolls - Royce group.

Mr. Plastow has already restructured the merged operations so as to tighten management controls. Rolls-Royce's diesel engine business has been incorporated in Vickers' engineering division and the car operations are now "the motor division" of Vickers with Mr. George Fenn as chief executive.

Mr. Fenn, 52, joined the Rolls-Royce diesel division in 1956 and rose through the ranks on the purchasing side of the business. Since 1976, he has been managing director of the car division but his new role gives him wider responsibility because it takes in overseas operations.

Mr. Plastow says that capital spending by the old Rolls-Royce Motors operations has slowed, according to plan, to £6m-£7m this year for cars and diesels.

The main thrust in future for the car business must be to coax better fuel consumption from the new Silver Spirit and its derivatives.

Ironically, Rolls-Royce customers could hardly care less whether their conveyance does 12 miles to the gallon or 15. But it requires enormous engineering effort to contrive such a percentage gain.

"An aerodynamically efficient and modern car with better fuel consumption"

The V-8 engine which has been progressively improved over the past 15 years and now gives 20 per cent more miles to the gallon will continue to be worked on. Rolls-Royce reckons that in two or three years there will be a reduction in engine capacity and, coupled with a reduction in the overall weight of the car, this should provide a further substantial improvement in fuel economy.

Rolls-Royce must continue this work, partly to protect its "image" and partly because of the pressures in the U.S., its main export market. As a manufacturer with a small output it escapes the CAFE (Corporation Average Fuel Economy) legislation which is forcing American manufacturers to improve the miles per gallon on every car they produce.

But Rolls-Royces are already officially labelled "gas guzzlers" under separate legislation which forces the customer to pay a "fine" when he buys the car. Currently around $300, it will rise to $3,000 in three or four years' time.

This should not be a drawback when customers today are willing to pay $85,000 for the cheapest Rolls-Royce (and $155,000 for the most expensive).

In the UK, Rolls-Royce, like the other car makers, has undertaken to cut the fuel consumption of its cars by at least 10 per cent over the next five years.

However, the number of companies which are opting to have the Bentley-badged version of the saloon is growing. It could be something to do with the "gas guzzling" image of the Rolls-Royce but is more likely to relate to the fact that "the chairman's Bentley" sounds less flamboyant than "the chairman's Rolls."

In some other European countries — Germany and Italy in particular — terrorist or kidnapping attacks on the rich or important has led to a drift away from ostentatious vehicles.

Mr. Plastow says: "Customers have the right to select the cars they would like to drive. And we feel we can continue to find enough customers in a world which buys 40m cars a year for the 3,500 or so we produce."

Spanish flights move to Gatwick

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AIRWAYS is to transfer all of its remaining scheduled flights to Spain from Heathrow to Gatwick Airport from October 26. Only a small number of holiday flights to Spanish cities have used Gatwick until now

The transfer is being made in accordance with UK Government policy to try to ease congestion at Heathrow and boost the use of Gatwick as far as possible.

Iberia, the Spanish airline, intends to retain its full quota of flights to all Spanish destinations from Heathrow.

Transfer

From October 26, British Airways will have a total of 41 flights a week between Gatwick and Spain, including business and holiday flights. There will be three a day each way to Madrid, one a day each way to Barcelona, one a day to Bilbao, two a week to Valencia, Malaga and Palma, and one a week to Alicante.

All the flights will use the new Boeing 737 twin-engined short-haul jet airliners.

British Airways also intends to transfer all its flights to and from Portugal to Gatwick next spring.

● British Caledonian Airways will offer cheaper fares on some UK internal air routes this winter. It will introduce a single standby fare on the London-Glasgow / Edinburgh route which at £20 will be £5.60 cheaper than the single second-class rail fare. This standby rate will also be available on the London-Jersey route.

British Caledonian will also offer two first-class seats for the price of one when it starts its route from Gatwick to Dallas/Fort Worth in the U.S. on October 28.

For 60 days from October 26, all passengers booking a first-class seat to or from Dallas/Fort Worth at £1,203 return, will be offered a second first-class ticket free, to mark the airline's introduction on the route.

The Dallas/Fort Worth flights will be an extension of the existing British Caledonian service from Gatwick to St. Louis, Missouri.

● Dan-Air, the UK independent airline, is to expand the capacity it offers on both domestic and international routes this winter, despite cuts by other airlines as a result of the recession.

From October 26 it will have more flights from Gatwick, and from provincial centres such as Aberdeen, Belfast, Bristol, Cardiff and Newcastle.

International

On international routes, there will be direct flights from Newcastle to Stavanger, and additional flights from Gatwick to Berne, Switzerland.

Dan-Air says it will operate more than 6,000 scheduled flights this winter — about 280 a week throughout its network. "We are looking to the future with confidence, despite the recession." In all, the airline will be serving 26 airports in seven countries.

● Tradewinds Airways, the UK all-cargo airline based at Gatwick, has become general sales agent for the South American cargo airline, Aero Brasil. Tradewinds will also provide administrative and operational support for Aero Brasil's cargo flights from Gatwick to Recife, Rio de Janeiro, Sao Paulo and Porto Alegre.

London Experience to close

By Arthur Sandles

THE LONDON EXPERIENCE, the audio-visual tourist entertainment in London's Coventry Street, is to close on November 1. EMI-Thorn's half interest in the project has been sold to its partner, Electricity Supply Nominees, who will close it to facilitate the £18m redevelopment plan for the Trocadero site.

EMI Leisure, a division of Thorn-EMI, has been running the entertainment centre for the three years since it opened. Telling the story of London with multi-screen and multi-speaker support the centre has been a popular feature for foreign tourists.

Rebuilding

The ESN associate company involved plans to open a similar centre in the new Trocadero development in about 18 months time.

The Trocadero site redevelopment covers a two acre site to the east of Piccadilly Circus. It will involve a mix of rebuilding and refurbishing, with much of the present facades being retained.

As well as houses and an entertainment centre, there will be restaurants and shops and a below-street walkway connecting with Piccadilly Underground station.

BL unveils £8m Metro parts plant

By Robin Reeves

AN £8m investment for producing front and rear subframes and other components for BL's new Mini Metro was unveiled at Pressed Steel Fisher's Llanelli pressings plant, West Wales, yesterday.

The new facilities include a fuly automatic five-stage press line which produces the subframes from blanks of steel 48 inches wide with one operator, and an 11-stage electro-prime paint plant—the first cathodic dip process of its kind to be installed as a completely new facility in a British factory.

Developed in co-operation with ICI, it aims to give the Metro subframes the highest possible protection against corrosion.

The Llanelli plant is also producing some 30 per cent of the Metros' plastic components such as engine fans, speaker grille, radio housing units, radiator grille, fascia panels, and glove box.

Pressed Steel Fisher has already produced enough components for the manufacture of over 30,000 Metros, ready for the model's launch later this month.

The Llanelli plant, which employs some 1,700, has also been able to avoid lay-offs effecting other Welsh motor component producers, thanks to the Metro investment. The plant now processes only some 600-tonnes of steelcoil a week—half the quantity being processed two years' ago.

UK NEWS

Cash crisis forces BR to axe 20% of freight fleet

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

BRITISH RAIL said yesterday it would scrap 20 per cent of its freight wagon fleet and withdraw 300 passenger coaches from service under "crisis plans" to cut costs because of a sharp reduction in freight and passenger business.

Last week, the Government allowed BR to borrow another £40m this financial year. largely because of the effect of the recession on BR's freight business.

Revenue from rail freight activities is already £70m below the forecast made by BR last year. BR is to scrap 19,000 wagons, to bring the total wagon fleet down to 100,000 wagons.

The steel strike earlier this year and the effects of the recession have forced BR to lower its earlier forecast that it would carry 178m tonnes of freight by rail this year.

The current forecast is an "estimated 153m tonnes," compared with the total of 169m tonnes carried in 1979.

Mothballed

Rail freight prospects are so bleak that the British Railways Board also plans to withdraw from service 150 mainline diesel locomotives.

Fifty of these locomotives are expected to be mothballed — ready for use in case the economy picks up—at Swindon engine sheds.

Receipts from passengers are also down on forecasts and BR is £15m below the target for passenger revenues set last year.

Most of the loss in revenue has come since May, according to Mr. Peter Keen, the chief passenger manager for BR.

BR had expected passenger receipts to be £20m up on the £976m forecast budget figure. But this forecast of a 4 per cent growth in revenue has had to be completely rewritten.

BR now expects revenue and passenger volume to be 4 per cent below target for the whole year by December.

Fourth TV channel chief plots out programme policies

BY ARTHUR SANDLES

MR. JEREMY ISAACS, the fourth channel chief executive designate, yesterday outlined his plans for ITV's rival to BBC2.

The channel's senior posts are now filled. Mr. Edmund Dell, the chairman, announced yesterday that Mr. Paul Bonner, current head of BBC Science and Features, will be the channel's £27,000 a year controller.

Mr. Isaacs, the 48-year-old former director of programmes at Thames Television and long tipped for the fourth channel job, emphasised that the new company would distance itself from the present ITV system.

There would be no pre-allocation of time slots to ITV companies. Schedules would be drawn up quite separately from those of ITV1, he said. Only after the schedules had been prepared would there be contact to iron out obvious timing problems or the clashes of subjects.

Mr. Isaacs was clearly aiming to comfort critics of the proposed service who have suggested it might be a lap dog of the major ITV network companies.

"Channel four will include in its schedules the largest practicable proportion of programmes made by British independent producers," he said.

"The channel has only limited resources. But it presents a challenge to the ITV companies to extend and improve upon the service they now provide; to independent producers to demonstrate the quality of their work; and to innovators and newcomers to the television screen to speak to television audiences in language those audiences will understand."

In the first few weeks of the service—which should be on the air in the autumn of 1982—there were unlikely to be any major documentaries since they took so long to prepare.

Hotels board rejects training move

By Alan Price

PROPOSALS to remove the 1 per cent limit on levies which can be imposed by industrial training boards have been rejected by the Hotel and Catering Industry Training Board.

Outlook on Training, the Manpower Services Commission's review of the Employment and Training Act published in July, proposed that, subject to Government scrutiny, training boards should be free to raise levies without upper limits.

The hotel and catering board has decided that, while it supports the continuation of systematic training on the existing basis, "it sees no need at present for any raising of the existing 1 per cent ceiling on boards' levy powers."

The board urges that all catering activities should be brought into the scope of its training activities. "This would bring back into scope teaching establishments and members' clubs and would also bring in hospitals.

"Consideration should also be given to bringing into scope the non-catering activities of leisure companies with catering interests."

The Government is considering the Manpower Services Commission's report.

North Sea oil benefit '£17bn by 1985'

By Maurice Samuelson

THE BENEFIT of North Sea is to the UK is expected to rise from £6½bn this year to more than £17bn by 1985 when Government revenues will be equal to this year's public sector borrowing requirement, according to stockbrokers Wood, Mackenzie.

In its latest monthly North Sea report, it says cashflows into the country in the next five years will represent a major windfall. Whether the country can secure any lasting gain from it, however, would depend on how the money was used.

It forecasts next year's benefit (at today's currency values) will be £9.4bn, followed by £10.9bn in 1982, £13.7bn, in 1983, £15.3bn in 1984 and £17.2bn in 1985.

By far the largest part of the North Sea benefit goes to the Government in tax revenues. By the mid-1980s these will assume a greater proportion of the total than at present. By then, many of the fields will have run off their capital allowances and will be paying tax at the full rate.

By 1985, the report says, the Government will be taking £13.7bn in royalties, petroleum revenue tax (PRT) and corporation tax, compared with £2.8bn this year.

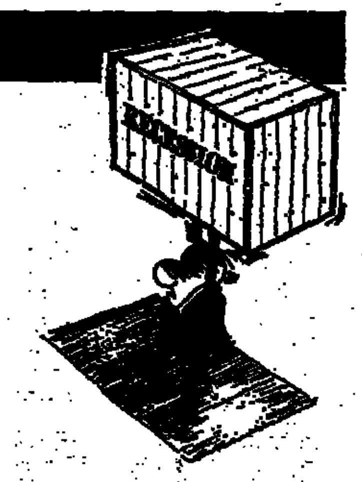
The UK has reached self-sufficiency in the last few months because, although output has remained broadly constant, demand has fallen. Production increases expected in the next six months or so, from the Brent and Ninian fields as well as from new fields, "should place the UK firmly in the role of net oil exporter—at least for a number of years."

No more four month licences

SIX - MONTHLY vehicle excise duty licences replace the four-monthly licences from today. Provided applicants have either the renewal reminder or the registration document they can now obtain their new licence from local post offices. Six-monthly licences cost £33 for a private car and £13.20 for large motorcycles.

WRESTLING WITH RECESSION

Sharp approach to avoid grinding to a halt



HAZEL DUFFY examines a Midlands precision machine-tool maker's proven strategy for survival

JONES AND SHIPMAN is a small, long-established engineering company in Leicester which has learnt how to ride out recessions in a cyclical industry.

The management is conservative, to the point of erring on the side of caution at times. Because it prefers not to borrow to finance big expansion schemes (although it did have to resort to the banks earlier this year) its faithful customers have sometimes had to wait up to 18 months for delivery.

The other side of the coin is that Jones and Shipman does not find itself saddled with expensive financing costs when demand turns down.

A company can only afford to take this approach when it has a product which is in constant demand. Jones and Shipman is known world-wide for its precision machine-tools—about 80 per cent of sales are of grinding-machines, and the balance is made up of honing-machines and small tools.

This, then, is the well-tried strategy for survival. But whether it works this time depends on how long and how deep the recession proves to be.

Orders at Jones and Shipman held up fairly well in the first half of the year, helped particularly by exports. But the order-book has taken a dive since the middle of the year and the chairman, Mr. Frank Brooks, told shareholders recently that outstanding orders did not extend much beyond the end of the year.

The reason for the savage decline, particularly in the home market, is that industry's first line of defence in a recession is to reduce investment — a machinetool can always be made to last another year or two when money is tight. Jones and Shipman has done exactly the same itself, stopping all investment in plant and machinery.

Spending on research and development however will not be affected. It is regarded as a top priority because Jones and Shipman cannot afford to lose its technical lead in the manufacture of a machinetool when competition is international. The average price of a Jones and Shipman machine is £10.000—fairly low in this particular industry.

Development work will also continue on the more sophisticated machines, for example on the application of electronic controls, which have not so far been used much in grinding-machines.

The company's success until now has had much to do with its strong position in the home market, but exports total about 45 per cent of production. It sells to a wide range of countries and frequently to those which have a comprehensive machine-tool industry of their own. Sales to Japan, for example, average about £500,000 annually, and Italy also is a good customer.

Now that the home market is in such a deep recession exports will be all the more important. Yet Jones and Shipman's export executives, who are just back from the Chicago machine-tool fair, can have no illusions about the growing competition they are meeting in the American market and elsewhere.

Until recently the market in the U.S. has been buoyant and sales there have done much to stave off the worst effects of the British recession. But now, the company says, British machine-tool prices quoted in Chicago are mostly too high by comparison with those of competitors.

The next year will be tough, therefore, even for a company which has learned how to live through several earlier recessions. Production at the Leicester and Derbyshire factories, which employ almost 1,500, is being maintained at normal levels and even above-normal levels, while the order-book is being worked through, which will help cash-flow.

But on current forecasts, the company will be in the unusual situation of producing for stock next year such that some slimming down of the workforce, probably through natural wastage, would have to take place.

Stocks of components have been cut back by 7½ per cent, the company admitting that it got its stock levels wrong in anticipation of an upturn this year. Another 5 per cent cut is likely in a short time.

The company is also squeezing its suppliers for cash discounts but there are no plans to buy major components such as castings and electric motors overseas.

Jones and Shipman's traditional conservatism has been evident in its balance-sheet. Borrowing has been almost non-existent. But earlier this year the company needed to borrow up to £1.5m to finance the concluding stages of a £4m investment programme (for which it also received £1.25m under the Government's machine-tool aid scheme) although these debts will be paid off by the end of the year.

The company's main concern about interest rates is how they affect the ability of its customers to buy new capital equipment. But it is also worried about the impact on the exchange rate and thus on the competitiveness of British industry.

J & S

Profits (year to December, 1979)	£2.5m
(half year to June 30)	£1.4m
Sales (year to December 31)	£18.8m
(half year to June 30)	£11.2m
Exports (1979)	£7.78m
Employees (1979)	1,559
Capital employed	£11.04m

Imports of machine-tools last year exceeded exports for the first time in many years, and the story was the same in Jones and Shipman's specialised part of the market-place. Imports of grinding - machines totalled £27.5m against exports of £25m.

Still, Jones and Shipman is better placed than many other machine-tool manufacturers. In the Leicester area alone, for example, Wadkin and Frederick Pollard have both recently laid off part of their workforces.

As the company goes into its annual wage-negotiating round, however, it has told its employees by a circular letter that the coming year holds many uncertainties.

They will, in any case, soon feel the effects in many minor ways, as well as undoubtedly in their pay packets. Cost-cutting throughout the company will mean, for example, a lower subsidy for the canteen. Safety shoes will be issued only every 18 months instead of each year and company cars will be renewed less often.

Jones and Shipman is the kind of well-managed small engineering company in the Midlands which has already learned how to survive in the face of growing competition from overseas manufacturers. It does not pay its employees more than it can afford nor does it squander its profits in unnecessary ways.

It has invested in a lot of new equipment and it values highly the skills of its workforce—in spite of the current difficult circumstances it plans to maintain its intake of apprentices at the normal level.

The true test of its resilience, however, is to come. In common with most of the mechanical engineering sector it is preparing itself not just for the recession but also for having to live with the external factors which are making life doubly difficult for companies that export a good part of their output. At this stage nobody is willing to predict the outcome.

SALVATION ARMY

GREATER LONDON 1980 BLITZ APPEAL

BLITZ ON LONDON

FORTY YEARS after 1940 there's still a war on. The destitute, the abandoned, the down-and-out struggle on against poverty and despair. And still their numbers grow. It simply cannot go on.

The Salvation Army, itself under attack from inflation, is launching a Blitz on London. And for the first time we're addressing ourselves to the business community.

If you have responsibility for the affairs of a company in the capital, you'll be hearing from us over the next few weeks.

In the charity of your heart, please listen to what we have to say.

Neal Wilson

A CHAMPION AGAINST THE FOE

Ed Pritchard

Brian Griffin

Julian Cottrell

STOP PRESS

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IT'S outside the Royal Exchange (*opposite the Bank Tube Station*), so it's right in the heart of things and couldn't be more convenient for the City.

• • •

Top photographers and artists including Lord Snowdon, David Bailey and Peter Blake RA along with students and staff of the Royal College of Art, have contributed a poignant series of pictures which say more powerfully than words just why we need your help.

• • •

The Exhibition opens on 1st October at 11.30am and then every day from 10am till 4pm until 7th October. On Saturday the Exhibition closes at noon.

• • •

Admission is absolutely free. We very much look forward to seeing you.

THE SALVATION ARMY

FOR GOD'S SAKE CARE – WE NEED £1 MILLION

The Campaign Director, The Salvation Army, 101 Queen Victoria Street, LONDON EC4 Telephone: 01-236 5222

Callaghan's plea—'for pity's sake, stop arguing'

LABOUR'S WARRING factions were told to stop fighting and start co-operating in producing an agreed programme for the next general election by Mr. James Callaghan at Blackpool yesterday.

In what many delegates clearly believed was his last conference speech as party leader, he repeatedly stressed the need to restore unity and rebuild mutual trust and confidence between the leading personalities on the Left and Right wings of the movement.

In a dramatic appeal for reconciliation, Mr. Callaghan declared: "For pity's sake, stop arguing—the public is crying out for unity."

He urged the political and trade union wings of the party to join together in drawing up an agreed programme — with the aim of securing a high and stable level of full employment as the first priority — for the next Labour Government to implement.

Mr. Callaghan spoke with determination and vigour throughout his 45-minute speech and tantalisingly gave no positive clue to those seeking confirmation that he intends to step down from the leadership in November.

At one point he referred to the approaching end of his political life, but, to laughter and cheers, hastily insisted that no conclusion should be drawn from his words.

"Let us see what the commentators make of that!" he joked.

Mr. Callaghan, given a mini ovation even before he started to speak, sat down to prolonged applause.

When he eventually left the platform one of the first to congratulate him was Mr. Denis Healey, who, if Mr. Callaghan does not seek re-election in November, is widely regarded—outside the conference—as his most likely successor.

To reinforce his appeals for party unity, Mr. Callaghan catalogued the disasters—headed by the rise in unemployment to over 2m—which Britain had suffered since Mrs. Thatcher took over from him in 10 Downing Street.

What could divide the Labour movement, he demanded, when such a reactionary, mean and hard-faced Government was in power?

Mr. Callaghan's plea for the re-establishment of mutual confidence between the leaders of the Left and Right came when he dealt with the prolonged controversy over the proposals to change the party's constitution.

He singled out the attempt by the NEC to secure the final word in drafting the party's manifesto for particular condemnation.

The members of the Parliamentary Labour Party, he said, were bound by the party manifesto and were the people who carried it through on a day-to-day basis.

"The NEC are wrong to try to assume sole responsibility for the preparation of the manifesto," he declared to cheers from the Labour moderates.

Mr. Callaghan was equally insistent on the need for a harmonious relationship between the trade unions and the constituency parties.

This would not be achieved, he warned, on the basis of proposals conceived in the belief that some people were traitors.

"We are all comrades, and we should all work together believing in each other's good faith."

Mr. Callaghan endorsed the judgment of Mr. Michael Foot that the next Labour Government is likely to take office in a crisis situation.

In preparation for this, he said, the first priority in Labour's next manifesto should be to tackle unemployment.

"Our first pledge to our people must be that we shall so organise our affairs that we aim once more at securing a high and stable level of full employment."

Mr. Callaghan was adamant that an incomes policy must form part of the new programme.

"We must keep the growth in money incomes and the growth in productivity in line to avoid inflation," he stressed.

While accepting the need for temporary import controls, Mr. Callaghan emphasised that there was no question of accepting permanent "beggar thy neighbour" protectionism.

He also accepted the need for more public expenditure to boost investment in the public and private sectors of the economy and accused Mrs. Thatcher and her ministers of being penny wise and pound foolish in the restrictions they were seeking to impose on the Public Sector Borrowing Requirement.

Mr. Callaghan pointed to the growth in the money supply—greater in the last 12 months than in Labour's last year of office—as evidence of the "incompetence" of the present administration.

As for Mrs. Thatcher herself, she was the most self-opinionated Prime Minister since Neville Chamberlain.

For good measure, he added that there was a callousness about the attitude of Mrs. Thatcher, Sir Keith Joseph, the Industry Secretary, and Sir Geoffrey Howe, the Chancellor, which compounded the wickedness of their policies.

Their reaction to unemployment in excess of two million was that it was evidence of a healthy purge from which the country would eventually emerge leaner and fitter.

He complained that Mrs. Thatcher and her senior colleagues even seemed to take pride in their own admission that the state of the economy would get worse before it got better.

Mr. Callaghan seized on the fact that Britain is now experiencing mass unemployment on a scale unknown since the 1930s to re-affirm that his commitment to the Labour Party was total and life-long.

It was the consequences of the unemployment of the 1930s, he said, which had led him and many others of his generation to join the Labour Party.

"We shall die in the Labour movement and we shall never leave the Labour movement," he declared to a roar of approval.

Mr. Callaghan told delegates: "As I see the conditions being repeated once again, the policies being followed once more that we thought we had destroyed for ever as a result of the 1930s, I cannot but feel a deep indignation and anger that this generation should be required to go through the things that our generation went through.

Mr. James Callaghan acknowledges the prolonged applause following his speech

"I am determined to fight it as hard as I can."

Mr. Callaghan saw Consett—deprived of its steel works — playing the role thrust upon Jarrow half a century ago as the symbol of the bankruptcy of Conservative policies.

This, he said, should give the Labour movement a new determination not to allow the men and women of Britain to become the pawns of a market economy.

Mr. Callaghan returned to his main theme of the need for party unity in appealing to any waverers to forget talk about the emergence of a new centre party in Britain.

"The centre party is as dead as a dodo—it is mere fluff."

The Labour leader's principal reference to Britains' European partners took the form of a glowing tribute to Helmut Schmidt, the West German Chancellor.

It was the centrepiece of a forcefully argued case urging conference against the adoption of a policy of unilateral nuclear disarmament.

Mr. Callaghan claimed that the idealism which had inspired the CND marches 20 years ago when only four or five countries possessed nuclear weapons, was not applicable to the present situation.

Now, Mr. Callaghan emphasised, a number of Middle East countries possessed nuclear technology and multilateral negotiations offered the best prospect of progress to worldwide nuclear disarmament.

Mr. Callaghan described the new disarmament talks, due to open in Geneva on Monday week, as a development of great significance.

Mr. Callaghan urged conference to avoid taking a view which was totally self-regarding. It should give a lead which others could follow and help to rid the people of the world of the fear of nuclear weapons.

Warm praise for Chancellor Schmidt

AMID THE CALLS for internal party solidarity, Mr. Callaghan took time off during his address yesterday for a gesture of solidarity with a fellow Socialist, Chancellor Helmut Schmidt, currently fighting an election in West Germany.

The NEC, Mrs. Shirley Williams suggested on Monday night, had been reluctant to give Mr. Schmidt a public plug, but Mr. Callaghan clearly was not. He devoted several minutes to a panegyric of the German Chancellor—"in my view the leading statesman in Europe."

He warmly praised Mr. Schmidt's efforts in getting the Soviet Union to drop its insistence on a NATO policy reversal on Cruise Missiles as a precondition to disarmament talks. "By skill and mediation he has achieved a shift in the Soviet position that is profoundly important," Mr. Callaghan said. "How profoundly all of us must hope that Chancellor Schmidt wins this election."

As for Chancellor Schmidt's opponent, Herr Franz Josef Strauss, he got short shrift. "I see Herr Strauss says he aims to be the Mrs. Thatcher of West Germany," said Mr. Callaghan. "Well, we'd be willing to transfer her—and at a much lower fee than they paid for Kevin Keegan. But we cannot wish the German people such harm as that."

Unions force through new category of party supporters

THE CONFERENCE yesterday approved the creation of a new category of paid-up Labour supporters which some Left-wingers fear could be the preliminary to introducing the system of primary elections to the party.

Such a system, they believe, would lessen the influence of Labour activists by opening up the key decisions to a wider franchise.

The proposal was forced through by the unions who see it as a way of helping Labour out of its dire financial position.

Registered supporters would pay a fee of perhaps £1 which would provide the party with a new source of income.

At this stage, there will be no question of supporters sharing ordinary membership rights.

On a card vote, the proposal was approved against the advice of the NEC.

The vote came as the conference moved slowly — and sometimes grudgingly—towards approving the ambitious plans for putting the party on a sounder financial footing, proposed by the Commission of inquiry early this year. Through the debate, there were signs of the growing tension between the constituency parties and the unions who act as the party's main paymasters.

After another card vote, the conference approved an increase, recommended by the Commission, in individual Labour Party subscriptions from £3 to £5.

Again, the change was forced through by the unions, who on Friday had indicated their own reluctance to agree to the full increase in union membership of the party recommended by the Commission.

At the same time, the conference also agreed to the appointment of a new director of finance as well as other, less concrete, proposals like the introduction of a new five-year financial operating plan on the principle of improving the party's capital base. They also backed the idea of an annual appeal day together with other fund-raising schemes.

The bleak financial future facing the party was spelled out by Mr. Clive Jenkins, chairman of the Commission's panel on

The National Executive's prediction of a deficit of £250,000 for next year was an understatement, he said. The truth was that the party had no reserves and an inadequate income. It was essential that the party raised £3.8m over the next three years if it was to be in a position to fight the next election.

Last week a row blew up between the NEC and the unions over what the Executive interpreted as the unions' determination to impose tighter controls over the party.

Yesterday, Mr. David Basnett, the chairman of the Trade Unionists for a Labour Victory, stressed that the unions only had the best interest of the party at heart. It was for this reason that they had requested an inquiry into the party's structure and organisation because they felt the party badly needed it. They also wanted to extend their involvement with the party at all levels.

None of the trade unionists involved in the setting up of the inquiry wanted to see the party decline into a "narrow elitist party of sectarian Socialists without a real involvement of trade union activists within its ranks."

It was essential, he said, that the conference faced up to "the enormity" of the financial situation facing the party. There was still a "desperate gap" between the party's income and its real requirements.

This gap, he warned, could not be bridged in the traditional way by trade union political funds. It was the responsibility of the NEC to come forward to future conferences with proposals for managing their affairs in terms of both income and expenditure on a more stable basis.

Mr. Basnett also served notice that the trade unions would argue in favour of re-imposing the ban on raising the same subject at conference more than once every three years when delegates got round to debating that section of the Commission's report.

Left strengthens its hold on NEC

LABOUR'S LEFT-WING strengthened its domination of the party's National Executive Committee yesterday in what may be one of the most serious setbacks for the moderates at this week's conference.

None of the Right's plans materialised. All three new members elected—Mr. Eric Clarke, of the National Union of Mineworkers, Mr. Charlie Kelly, of the Union of Construction, Allied Trades and Technicians and Mrs. Margaret Beckett—were Left-wingers.

Since two of the retiring members tended to vote with the Left the result represented a net gain of only one for the Left. But it comes at a time when the Right had been very optimistic about making gains on this key decision making body of the party.

At the same time, all the leading Left-wingers like Mr. Dennis Skinner and Mr. Eric Heffer were returned with Mr. Anthony Wedgwood Benn again getting the most votes from the local Labour parties. There were no signs from the result, however, that Mrs. Shirley Williams' militant campaign on behalf of the moderates has lessened her popularity among the trade unions. Her vote increased this year.

The moderates regard changing the balance of power of the executive as fundamental to the battle for control of the party. For the past 12 months, the Left has had a majority of roughly 17-12, though the Left do not by any means always vote as a block.

Right up until Sunday, the moderates were hopeful that at this conference, after years of trying, they might finally make major inroads into the Left's domination—and even, perhaps, take control of the executive.

But their hopes were once again destroyed by the AEUW. By a majority of only one, the union's 35-man delegation agreed to put all its 928,000 votes behind the Left's candidates.

As a result, the moderates were unable to make the gains they had hoped for in the women's section of the executive and the Left filled the two vacancies in the union section.

The biggest disappointment for the moderates was in the section elected by the unions. They were unable to replace Mr. Fred Mulley with Mr. Denis Howell, the former Sports Minister, who, like Mr. Mulley, is a member of the Association of Professional, Executive, Clerical and Computer Staff and could be relied upon to support Mr. Callaghan. Instead, Mr. Charlie Kelly, a Left-wing member of UCATT, got the vacant place.

At the same time, Mr. Emlyn Williams, from the NUM, was replaced by another hardline Left-winger, Mr. Eric Clarke, the general secretary of the Scottish NUM.

Mr. Williams has been unwell recently and therefore unable to attend all the executive's meetings. The moderates are worried that Mr. Clarke will attend more regularly and therefore make life even more difficult for them on the executive.

On the section reserved for women, Mrs. Margaret Beckett, the fromer Margaret Jackson, and a junior education minister in the last Government, got the seat vacated by Baroness Jeger.

Mrs. Beckett is a member of the Tribune Group and yesterday Left-wing members of the executive were claiming her election as a victory for their side. But like Baroness Jeger, she may not always vote with Mr. Wedgwood Benn and other hardline Left-wingers.

There were no changes in the section elected by local constituency parties. Mr. Peter Shore and Mr. Roy Hattersley, two possible contenders for the leadership when Mr. Callaghan retires, came towards the top of the list of runners-up but once again the constituencies showed that if they were given a say in electing the party leader, they would go for a candidate of the Left.

● The election results were: Trade union division—Russell Tuck (NUR) 6,317,000; Sam McCluskie (National Union of Seamen) 5,882,000; Alex Kitson (TGWU) 5,868,000; Neville Hough (GMWU) 5,592,000; Alan Hadden (Boiler Makers) 5,288,000; Jerry Russell (AUEW) 5,191,000; Doug Hoyle (ASTMS) 5,013,000; Syd Tierney (USDAW) 4,604,000; Tom Bradley (TSSA) 4,512,000; John Golding (POEU) 4,200,000; Eric Clarke (NUM) 4,031,000; Charles Kelly (UCATT) 3,360,000.

Constituency parties division: Anthony Wedgwood Benn (Bristol South East) 466,000; Neil Kinnock (Bedwellty) 432,000; Eric Heffer (Walton) 430,000; Dennis Skinner (Bolsover) 403,000; Joan Lestor (Eton and Slough) 380,000; Frank Allaun (Salford East) 342,000; Jo Richardson (Barking) 270,000.

Women's section: Judith Hart (Lanark) 5,815,000; Shirley Williams (Apex) 5,255,000; Joan Maynard (Sheffield, Brightside) 4,361,000; Renee Short (Wolverhampton North East) 4,293,000; Margaret Beckett (Lincoln) 3,411,000.

Socialist, Co-operative and other organisations division: Leslie Huckfield (Nuneaton) 38,000.

Treasurer: Norman Atkinson (Tottenham) 4,569,000. He defeated Eric Varley (Chesterfield) who polled 2,683,009 votes.

Reports by Elinor Goodman, John Hunt, Ivor Owen, Margaret van Hattem and Christian Tyler. Photographs by Hugh Routledge.

Union bid to settle issues question

TRADE UNIONS at the conference combined last night in an attempt to ensure that the party's constitutional controversies are settled this week and not reopened until after the next general election.

If predictions that Mr. Callaghan will win two of the three constitutional issues are borne out in today's voting, he and his supporters will leave the conference in far better heart than when they arrived.

The compulsory re-selection of MPs seems likely to be carried today, but Mr. Callaghan and his supporters still hope to prevent a constitutional change that would cede control of the manifesto to the Left-dominated NEC. The third issue, election of the leader, may also end in a victory for those in favour of the status quo.

Yesterday, the moderate General and Municipal Workers' Union drew up an emergency resolution supported by other big unions insisting on the reintroduction of the rule that constitutional changes cannot be debated more than once every three years.

So far, the NEC has consistently refused to reintroduce the rule but it may be forced to table the change if the principle, as recommended by the party's internal Commission of Inquiry, is accepted by the conference.

The emergency motion was drawn up after the national executive sent a note to Mr. David Basnett, general secretary of the GMWU, expressing its willingness to introduce the change if it was supported in principle, but not until next year. That was not enough for the union, which foresaw another attempt by the Left to secure its objectives at the next party conference.

Meanwhile, there was speculation yesterday that Mr. Callaghan would not have an easy ride in the important defence debate tomorrow.

Despite his long appeal to the conference yesterday not to commit the party to unilateral disarmament, a number of big unions led by the Transport Workers were preparing to back a unilateralist motion put down by the Society of Graphical and Allied Trades.

AUEW in second votes row

A NEW VOTES row blew up in Blackpool last night—again involving the Amalgamated Union of Engineering Workers.

Left-wing delegates were claiming there was a discrepancy in the number of votes cast for former MP Mrs. Audrey Wise.

They said the deficit came close to matching the engineering union's 920,000 political votes.

But Sir John Boyd, AUEW leader, angrily rejected suggestions that his union's votes had not been cast in support of Left-wing militant Mrs. Wise, who failed to gain a seat on the women's section of the party executive.

In the run-up to conference, the Left-wing of the moderately-led engineering union brought off a coup when delegates decided by a one-vote majority to support Left-wing candidates for the Executive.

Afterwards, union leaders claimed that one delegate, Mr. Douglas Knott, had voted with the Left by mistake. But he later insisted he had voted according to his conscience and there was no mistake.

Yesterday's row came after the results of the ballot for the Labour party's National Executive were announced, with Mrs. Wise polling 1,875,000.

Her supporters made a quick check on the votes they had cast, and these were in excess of 2,061,000.

Mr. Jock McPherson Quinn, leader of the Left on the engineering union delegation, said: "We were committed to support Mrs. Wise. I have spoken to Sir John Boyd, who assures me that the delegation votes were cast for Audrey Wise, but I cannot explain this discrepancy."

Private medicine and pay beds 'must go'

UNIONS WHICH provide their members with private health insurance came in for strong criticism during the conference debate on the National Health Service.

Although he was not mentioned by name, there was no doubt that speakers had in mind Mr. Frank Chapple of the Electricians' Union who has been the chief offender in the eyes of the Left on this question.

Delegates approved a resolution from the Confederation of Health Service Employees calling on the next Labour Government to introduce legislation to completely abolish all private medicine, pay beds in the NHS and any health charges.

The motion deplored "agreements between employers and trade unions which include the provision of private medicine."

It called for a party study to "take medical care out of the market place" and for a report of its findings to be made to next year's party conference.

Another motion, urging greater assistance for the disabled, was overwhelmingly approved despite the wishes of the National Executive Committee who wanted it to be remitted. The Executive were concerned at the practicability of a proposal in the resolution to remove all taxation from mobility allowances.

Speaking for the NEC, Mrs. Renee Short, MP for Wolverhampton North East, declared: "Private medicine is flourishing as never before, supported, I am sorry to say, by many trade unions.

"The more inadequate the NHS is, the more private medicine will flourish — private schemes that allow some to choose when, where and by whom they will be treated. But not for the old, the chronic sick or the mentally ill."

It had long been the policy of the Labour Party to end private practice, she said. Yet the last Labour Government had not done so. Barbara Castle had been forced to compromise on this issue.

The result had been to close some private beds but allow private hospitals to be built while many hospitals a hundred years old were still in use in the State sector. There were 122 private hospitals today, and others were in the pipeline.

"Private hospitals must be integrated into the NHS and not allowed to function outside it," she said. "Shortages of medical manpower must be overcome by proper planning and training."

Proposing the resolution, Mr. David Williams, assistant general secretary of COHSE, accused the Government of intentionally undermining people's faith in the health service in order to make way for private medicine. Labour had to restore the service as one of the most effective instruments of a just society.

"Some trade unions affiliated to this party believe that private practice is an acceptable alternative to public ownership," he added. "I want to say to those unions—you are so wrong."

He said they were contributing to the attack on the NHS in exchange for short-term privileges.

Mr. Tony Banks, a constituency delegate from Tooting, bitterly criticised the decision to close St. Benedicts Hospital, in Tooting. Pickets have been arrested at the hospital recently as they tried to stop the transfer of geriatric patients to another hospital.

He strongly urged that when a Labour Government comes to power, NHS hospitals that had been taken over by private practice should be taken back into public ownership without compensation. There were strong reports, he said, that St. Benedicts was to be sold for use as a private hospital.

Plodding through the foothills of the party inquiry

BY JOHN HUNT

A PARTICULARLY dour delegate mounted the rostrum at the Labour conference yesterday and confided that he never saw any question in black and white but only in infinite shades of grey.

One certainly sympathised with his sentiments.

For three hours the conference had been plodding through the foothills of the great Labour Party Commission of Inquiry. To make matters worse, the topic under discussion was the labyrinthine finances of the party.

In the good old undemocratic days, such arcane matters used to be discussed in private and hard pressed journalists were given the afternoon off to take to the golf courses or any other pleasures which Blackpool offered. Alas, all this has now been swept aside in the great tide of party democracy.

Nevertheless, for those prepared to follow delegates through the pages of the great document sub paragraph by sub paragraph, there were moments rich in irony even by Labour Party standards. So complex was the tangled financial web that a nine page background document had been circulated explaining it all. But, presenting the report, Mr. Clive Jenkins, general secretary of ASTMS and chairman of the commission's finance panel, had a simple message to the conference.

Ignore the report, he advised. It was all out of date, and party finances were in a more grievous state than it indicated. In effect, he was telling the delegates that the party was broke.

The amiable Mr. Jenkins then merrily proceeded to juggle horrifying figures with gay abandon. The party had a deficit of £244,000. It owed the bank £174,000 and on top of this there could be owing a further £52,000, £80,000 or £100,000 depending on the figures you picked.

Then again, he was not really sure about the £244,000 deficit. He only hoped this was true but feared that matters could be far worse. However, if Mr. Jenkins was shaky on his figures, he was certainly very strong on lurid prose.

A drip feed for the patient was no good. What was needed was a huge blood transfusion.

"We are treating this much loved party as a blue baby," he declared with relish.

Then, in terms that would have delighted monetarist apostles of Professor Milton Friedman, he came out with some harsh remedies. The party had to "stand on its own feet," at its new headquarters in Walworth Road, South London.

Rapidly, however, Mr. Jenkins reverted to type. Not for nothing is he one of the leading exponents of increased Government expenditure. One of the main ways out of the cash difficulties was, he suggested, the adoption of State aid to political parties.

After these traumatic shocks, delegates then turned their attention to grass roots matters — namely, how to squeeze more money out of the constituency parties. The proposal to increase individual membership subscriptions from £3 to £5 a year was bitterly opposed by constituency delegates, one of whom suggested that a more sensible economy would be to stem the endless flow of party propaganda

A majority of hands was raised against the proposed increase but a card vote was demanded and the proposal was forced through by a massive 6,017,000 votes to 983,000. In other words, the unions—who will not be directly affected by the decision—had decided that their comrades in the constituencies should cough up the money.

Similarly, a strongly opposed proposal to have a new form of Labour Party "supporters' club" in each constituency was forced through by the huge union block vote. Under this dubious arrangement, people will be expected to pay £1 a year for the privilege of being "registered Labour supporters"

The entire proceedings could be aptly summed up in the words of John Fraser, MP for Norwood, when, referring to the party's financial condition, he warned: "It's no good talking about possession of the citadels of power when you can't even run your own premises."

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UK NEWS — LABOUR

Fears for Civil Service pay unit

By John Lloyd, Labour Correspondent

CIVIL SERVICE unions are to ask the Government to clarify its intentions over the future of the Pay Research Unit, the body which recommend the level of Civil Service pay each year.

The unions fear that a strict application of cash limits to the service would result in a pay offer of around 8 per cent.

Lord Soames, the Lord President, said in August that while there was no intention of scrapping the unit, cash limits could take precedence over its recommendations.

The unit generally recommends a level of pay roughly equal to settlements made on comparable grades in the private sector.

Mr. Ken Thomas, general secretary of the Civil and Public Servants' Association, said last night that if the Government ignored the unit's findings, pay bargaining would be impossible.

Speaking after a meeting of the council of the civ service unions' policy committee, Mr. Thomas said:

"We are saying that the Government should stop making political noises aimed at frightening use and come out and say what their intentions are."

The pa ysettlement date for civil servants is April 1, though negotiations will start early next year.

The special co-ordinating committee which will consider possible industrial action in response to the anticipated low wage offer meets for the first time on Friday.

It is expected to discuss the tactic of selective action

TUC seeks price curbs in pay pact with Labour

BY CHRISTIAN TYLER, LABOUR EDITOR

RESTORATION of the Price Commission and of a public services pay body like the recently-disbanded Clegg Commissio nwill be high on the trade unions' demands when they start discussions with the Labour Party leadership next month on a new kind of incomes policy.

Union leaders who will be involved in the talks in the TUC-Labour Party liaison committee stressed yesterday they were not interested in any more pay norms or earnings targets of the kind adopted by Labour and Conservative Governments in the past.

Instead, they seek "total incomes planning" as opposed to simple wage control in return for action on prices, profits and direction of investment.

The TUC is anxious to deflect criticism from the Left which saw the Labour Party conference's endorsement of a new deal on the economy in Monday's debate as a prelude to another bout of wage restraint under a Labour Government.

Meanwhile, union members of the National Economic Development Council made it plain yesterday that they would again rebuff the Government's planned attempt to discuss pay at the next council meeting on Monday.

Sir Geoffrey Howe, the Chancellor, although he has redrafted an earlier paper, will probably be told that there can be no discussion unless he puts all the Government's economic policies up for negotiation.

In their talks with Labour leaders the unions will pursue the line first set out in the so-called concordat, which was hastily constructed with Mr. Callaghan's Government during the "winter of discontent" before the last election.

That implies that the TUC and union leadership will exert general supervision over wage bargaining, and ask negotiators to take into account the price effect of their wage claims and settlements.

A Price Commission would again back up that supervision by taking companies' efficiency into account when considering applications for price increases.

The unions would also want regular meetings with Labour Ministers to review the progress of the economy.

Mr. David Basnett, chairman of the TUC economic committee, and a central figure in the forthcoming discussions, said there was no intention to return to "structured" incomes policies.

On this occasion, when there was plenty of time to prepare an arrangement for the next election, a much wider consensus would be sought.

The TUC's efforts to strengthen its own industry committees could also be relevant in co-ordinating wage bargaining, Mr. Basnett said.

Another member of the TUC's negotiating team, Mr. Terry Duffy of the engineers, said yesterday: "As I have said before, we want to project the minds of the membership beyond the immediate wage packet. We are talking about total incomes not just wages."

Factory Inspectorate perturbed at level of shipyard accidents

BY PAULINE CLARK, LABOUR STAFF

SERIOUS accidents among shipyard workers remain at an unacceptably high level, according to a report published yesterday by the Health and Safety Executive.

The report says there is "no room for complacency" about the number of fatal accidents although they are now a tenth of what they were 50 years ago. Improvements, such as moving indoors the construction of large parts, has made the job safer, but the shipyard worker is still more likely to have an accident than most other workers. The incidence of total reported accidents per 100,000 at risk in 1978 was 3,620 in manufacturing, 3,390 in construction and 5,620 in shipbuilding, shiprepairing and marine engineering.

The report urges all employers to ensure that they have clear health and safety policies and to welcome the introduction of safety representatives. It is the first to be produced by the Factory Inspectorate's Shipbuilding and Repairing National Industry Group set up in 1977.

More than 40 per cent of all shipyard accidents are said to be caused by falls. Few of the falls are from a height and almost half are caused by tripping over hoses and cables covering ships' decks.

While other falls are caused by slipping on oil, grease or ice, "an appreciable number occur in that idiotic charge through the gate which traditionally ends the shift in many yards."

The report says that a number of accidents could be reduced substantially if managers and safety representatives were to insist on tidiness aboard ships. It is critical, however, of "most" shipyard workers who scorn to wear the head protection provided by their employers. This attitude is inconsistent with their legitimate claims for better safety, the report says.

It also draws attention to the almost daily occurrence of small fires aboard ships in some yards. Much more should be done to minimise the risk of fire, the report says. In particular it urges stricter control over the manipulation and storage of combustible materials.

Appeal over hospital dispute

By Our Labour Staff

THE National and Local Government Officers' Association yesterday appealed to Mr. Patrick Jenkin, Health Secretary, to intervene in a dispute which it says is leading to serious disruption at the main North Surrey hospital serving Heathrow Airport.

About 150 members of the union involved in administration, maintenance, and technical departments of the 512-bed Ashford Hospital have banned overtime working

Phillips in talks on oil rig yard

By Ray Perman, Scottish Correspondent

PROJECT ENGINEERS from Phillips Petroleum went to the Ayrshire Marine construction yard at Hunterston on the Clyde yesterday to discuss the future of the partially completed Maureen field oil platform.

Work on the steel structure stopped a month ago when workers started a strike over safety.

One of the two unions involved, the Boilermakers', has rejected management conditions for a return to work and the company has said one yard has now closed permanently.

Phillips could decide to tow out the three sections of the platform to another yard to be completed, or could abandon the work and start afresh, probably outside the UK.

Yesterday the company said it wanted to find a solution quickly so it could get on with developing Maureen.

The field, north-east of Aberdeen, was originally scheduled to produce oil by 1982, but is now likely to miss that date by at least a year.

To move the platform, Ayrshire Marine would need permission from the Scottish Development Department, which owns the site, to breach the sea wall, a necessary first step to flooding the yard and floating out the completed sections.

Boilermakers' shop stewards have said they will organise a mass picket to prevent subcontractors entering the yard to assist with the removal of the platform and they have asked their union executive to make the dispute official.

The Hunterston yard, which was constructed with £7m of public money, was empty for five years before being taken over in May 1979 by Ayrshire Marine, a joint venture between Chicago Bridge and Iron and the Glasgow-based Weir Group.

Electricians halt work on cruisers

By Our Labour Staff

ELECTRICAL work on the Royal Navy's two anti-submarine cruisers being built by Swan Hunter shipbuilders at Wallsend on the Tyne came to a halt yesterday after 640 electricians walked out.

Swan Hunter says the dispute is an internal matter for the Electrical, Electronic, Plumbers and Telecommunications Union to resolve, but yesterday it was trying to contact union officials in an attempt to solve the problem.

The dispute started earlier this month when the electricians' union at the yard decided one Friday at the last minute not to allow any weekend "standby overtime."

All EEPTU members at the yard were contacted with the exception of two, who turned up for work on the Saturday morning.

One realised something was wrong, and went home, but the other carried on working. The following week a mass meeting of EEPTU members at the yard declared him to be no longer a union member.

Swan Hunter suspended him on full pay for a cooling off period, but yesterday he returned to work—whereupon his colleagues walked out saying they would not work with a non-union member.

Shortfall in computer staff

A WARNING of growing staff shortages in the computer industry has come from the Association of Scientific, Technical and Managerial Staffs.

ASTMS says at least 500 more programmers will be needed every month to 1985 and that shortages in key sectors of computer manufacture now stand at 20 per cent and in computer services at about 10 per cent.

Weekly paper journalists accept £9.30 offer

BY JOHN LLOYD, LABOUR CORRESPONDENT

JOURNALISTS WORKING on weekly newspapers in London yesterday voted by a narrow majority to accept an offer of £9.30 as their London weighting allowance. The offer was made last week by the Newspaper Society which represents proprietors of the weekly papers.

They rejected by 188 votes to 161 a call from chapel (union branch) officials to continue their strike, now in its third week.

However, it is unlikely that there will be an immediate return to work. The journalists had asked for a no-victimisation clause to be included in the settlement. Negotiations on this clause may be protracted.

The society insists upon a no-victimisation commitment being mutual. It has asked for an assurance that journalists who disobeyed the strike call would not be expelled from the union, or have their copy blacked.

The National Union of Journalists says that any disciplinary procedures arising from the dispute are a matter for the national executive committee of the union, and that it cannot commit itself in advance on the issue.

The engineer who is putting new sparkle into Coke

The new chief of the giant U.S. drinks group has a somewhat surprising personal philosophy. **Ian Hargreaves** reports

Profile

THE recent appointment of Roberto Goizueta as chief executive and chairman elect of the Coca-Cola Company has to be one of the most surprising executive appointments in U.S. business this year.

The 48-year-old Cuban was not even on the form lists of most of those who follow the company when, a year ago, the outgoing chairman, J. Paul Austin, lifted the starting gate on the race for his job by naming a pack of no less than six vice-chairmen of the company.

Goizueta was one of them, but everything seemed to be against him in a strong field. In the first place his nationality looked like a handicap in a company whose heart remains in Atlanta, Georgia, even though its products may be filling glasses in almost every country in the world.

His age, too, made him a more likely candidate for the job next time round. But an even bigger liability—and the one which really threw the tipsters—was his engineering background. A chemical engineer from Yale, Goizueta only achieved his first top management post in 1978.

"It is a tribute to Mr. Austin's 14 years as chief executive officer that he could bring to the forefront six men of more or less equal talent," says the trim and well tailored Goizueta, taking a sip from the Coke bottle which seems mandatory on all top executives' desks at the company's recently opened Atlanta tower block.

But by all accounts it was a bloody battle between the six, and one which insiders expect will soon lead to one or two resignations among disappointed losers able to command top jobs elsewhere. That bitterness, on the technical and research side until 1978, the time he critics charge, is also a reason why Coca-Cola's once inexorable profits growth has flagged this year. Sales, income and dividends all maintained a steady and remarkable 13 per cent a year growth in the 1970s, but profits will probably be less than 5 per cent higher this year—a real drop with inflation in double figures in the U.S.

Goizueta laughs when you ask him whether an engineer is the right choice to lead a company which has been a monument to smart salesmanship ever since an Atlanta chemist boiled up the first batch of a headache remedy called Coca-Cola 94 years ago. "It is the curse of the engineer that the fellow who drives the locomotive and the fellow who designs it are both called engineers."

His training at Yale when, as a young emigré from Cuba, he had to learn whole pages of textbooks parrot-fashion because he could not understand the English adequately, provided a first-rate mental discipline, he says.

In any case, he points out, Austin was a lawyer who became a Coca-Cola all-rounder. "I ceased to be a chemical engineer in 1961," Goizueta says, pointing out that although he remained spent in South America involved him in all sides of the company's activities, from negotiating with bottlers to growing fruit.

COCA-COLA is the world's largest producer and distributor of syrups and concentrates for soft drinks. Its products accounted for 35 per cent of the 21bn gallons of soft drinks consumed in the world last year.

Sales last year were just under \$5bn and net profits \$420m. Over the last decade both figures have grown at a steady 12 to 13 per cent annual rate, with the exception of 1974, when there was a major accounting change.

Soft drinks, which include Coca-Cola itself, along with Sprite, Tab, Fanta and other flavours, accounted for 76 per cent of the company's sales.

A further 20 per cent of sales comes from the sale of other beverages—fruit juices, coffee, tea and wine. The remainder stems from the company's plastics, snack food and water purification businesses.

The company's soft drink bases are sold to almost 1,500 bottlers around the world. In the US, syrup is also sold to wholesalers for distribution to restaurants and soda fountains.

Coke's drinks are sold in 135 countries. Coke says its share of the world soft drinks market has grown by 10 per cent in the last decade. Profit margins, however, are much wider in the non-US operations. Last year, the U.S. accounted for 54 per cent of sales but only 34 per cent of operating profits.

Goizueta is also undoubtedly a man who enjoys analysis, philosophising and communication. Yet his company was sufficiently uncommunicative even two years ago to ostracise its Wall Street analysts, to say nothing of the high wall behind which the company has traditionally hidden from the press.

"I know we have the best talent to produce the best commercials and that our pricing is accurate," he says, by way of explaining why, having snatched the chairmanship from under the noses of men with top marketing pedigrees, he last month announced a top management structure which does not even involve the head of the company's corporate marketing division reporting directly to the chairman. This decision appears even odder in the context of Coke's intensifying marketing dogfight in the U.S. with newcomers to the soft drinks business such as Philip Morris (Seven-Up) and Procter and Gamble, which recently bought Crush International, both of them consummate marketing companies.

The idea, says Goizueta, is to put himself at one remove from the marketing function. He has made Donald Keough, a man with widespread marketing experience and favourite a year ago to win the chairmanship, company president in all but name. His actual title is chief operating officer. The marketing people and the heads of the overseas divisions now report to Keough. Reporting directly to Goizueta are Keough, John Collins, the chief financial officer, and senior executives for planning, public affairs, law and technical matters.

Goizueta produces five points to defend his approach. The object, he says, has been to define the non-delegatable jobs, which he lists as ultimate accountability for growth, the company's character and longer term security, along with leadership and "the decision as to what should be delegated."

He does not believe in the practice of an executive office, a top team of decision-makers increasingly popular in big U.S. multinationals, although Keough and Collings are key figures for consultation.

But the fact that marketing is set at one remove does not mean Goizueta has no ideas about how the job should be done.

"We are living," he claims, "in the third age of marketing." in the 1940s and 1950s, marketing meant salesmanship. In the 60s and 70s, it meant satisfying customers' wants. In the 80s, "we must cater to customer needs," he declares. Detroit's current problems, he maintains, are the result of the motor industry living too long with the 70s concept of marketing. Goizueta cites Burke's famous remark to his constituents: "I am here to serve your interests, not your desires."

This is an odd sort of concept for a company whose principal products are anything but necessities. Its oddness is only partially alleviated when Goizueta offers examples like the work being done by his food division technicians to produce an orange juice with a lower than natural citric acid content. This product, he says, is needed, especially by older people, as are the low calory and high vitamin soft drinks the company is promoting heavily. (He is deeply interested in the marketing possibilities inherent in the greying of America). At present only one third of Americans drink orange juice, which Coke makes under the Minute Maid brand name.

As Goizueta swings from side to side in his chair, grasping an ash try or his Coke bottle and reasoning his way through the problems and possibilities he sees ahead, he moves onto the theme of world citizenship. Here he argues the merits of companies having social consciences and describes a recent incident when he had the power to shut down a Coke operation in a major country and serve it from a neighbouring state. The shut down would have saved money for the foreseeable future, but would have dislocated the local community and would have been "bad for the long pull. Don't ask me to quantify these benefits," he says. "It is a weakness of human nature to respond only to quantifiable factors in business, when the unquantifiable is often the most important."

Some of this philosophy may at first sight seem to jar with the Coca-Cola the world has learned to respect as one of the toughest exponents of capitalist growth. But though he makes it sound very original, it is very much in the traditional Coca-Cola mould—which is one of the answers to the question of why Goizueta was preferred to his rivals for the chairmanship.

The world citizenship argument, for example, is the articulation of what Coca-Cola has been trying to do in world markets for most of this century—making itself attractive to local communities by offering to native businessmen the opportunity to hold bottling and distribution franchises—a business which collectively is much bigger than Coke's own operation. Coke likes to call itself a "multilocal company."

This is attractive to Coke, of course, because it minimises the company's own required level of investment overseas. Next year, for example, Mexican bottlers will spend over \$100m on their operations—which will be almost one third of Coke's own worldwide capital expenditure.

This "multilocalisation" is also in Coke's interest, because it believes, and has proved, that local entrepreneurs are better at marketing than are remote corporate marketeers from another country. It has also helped the company develop a remarkable ability to survive political change in the world without big financial losses. The only time Coke ever lost plant and equipment of its own was in Cuba after the Castro revolution, which was also the reason why Goizueta was sent packing from his homeland, where he had been working in Coke's Havana operation.

Nor are Goizueta's desire for distance from the marketing operation and his technical background really so strange for a company whose early successes were built at least as much upon its ability to manufacture a beverage of reliable quality as upon the skills of its salesmen.

Perhaps the heart of the matter is when Goizueta counsels: "We run the risk that being a huge American company and a symbol of the American way of life that we take ourselves too seriously both as a company and as individuals. I think we have to come down from that plateau and realise that we are selling only a little moment of pleasure."

That is a remark which could well have been made by Robert W. Woodruff, the legendary figure who retired as Coke's chief executive 25 years ago, but who at 90 is still chairman of the finance committee and, some believe, still ultimately the most powerful man in the company.

Two years ago Woodruff answered a question about the most essential characteristics for a young person seeking to make his mark in modern business. "Under all circumstances they should maintain a sense of humour," he said; adding "if they can mix all their qualities with a touch of humility, their opportunities for advancement are significantly increased."

That has been, and remains, the approach of Coke as a company, both in its commercial and in its business structure through the bottlers.

Goizueta has now been handed the torch.

Roberto Goizueta: "We run the risk of taking ourselves too seriously . . . we are selling only a little moment of pleasure"

Management abstracts

These summaries are condensed from the journals of abstracts published by Anbar Management Publications. Readers wishing to consult original texts should write to: P.O. Box 23, Wembley, HA9 8DJ.

Capital Budgeting Methods and Risks. L. D. Schall and G. L. Sundem in Financial Management (U.S.), Spring, 1980: p. 7 (5 pages, table)

Sets out to test the hypothesis that the greater the uncertainty in a company's environment, the more likely it is to use sophisticated capital investment appraisal methods; reports on a study which indicates that the reverse seems to be true; muses over whether the conclusion is right or the research methodology wrong.

Recovery Rate and Cash-flow Accounting. Y. Ijiri in Financial Executive (U.S.), March, 1980: p. 54 (5 pages, table)

Points out that it is often impossible to relate the capital project projection (based on cash flows) to the capital project performance (based on accounting earnings); puts forward the case for evaluating performance on a cash-flow basis, and moves on to argue the wider case for moving financial reporting in general on to a cash basis.

Questionable Payments. A. R. Sumutka in the Journal of Accountancy (U.S.), March, 1980: p. 50 (9½ pages, tables)

Reports on a study of questionable payments made by unidentified companies who reported them voluntarily to the Securities and Exchange Commission: analyses why/how the transactions were conducted, and with which parties; discusses for each category of payment how auditing—supported by strict recording of the transactions—could restrain the abuse.

How Companies can Save Marriages. J. Dominian in The Director (UK), May, 1980: p. 55 (3 pages).

The director of the Marriage Research Centre explains its role and that of local counselling services; explores pressures on executives and their spouses which can lead to the break-up of marriages; suggests that employers should seek to identify marital difficulties and encourage employees to seek counselling help.

Zero-Base Review instead of Zero-Base Budgeting? P. Rubinyi in CA Magazine (Canada), April, 1980: p. 46 (6 pages, chart, tables).

Points to limitations of zero-base budgeting — its concentration on a restricted number of overhead categories, the proliferation of paperwork, its tendency to generate more options than an organisation can consider, let alone act upon; offers an alternative in the form of zero-base review, which takes a wider view of the organisation, is less formalised, and handles the review process at a higher management level than does ZBB.

Communicating Financial Information to Employees. R. Hussey in Certified Accountant (UK), June, 1980: p. 149 (5½ pages, tables).

Reports on a survey to ascertain workers' opinions of information given in employee reports; analyses the degree, extent of readership and the understanding of financial information. Discusses report content and presentation, and gives examples of misunderstandings arising from ill-chosen formats; advocates simplification, but warns against patronising, eg., over-use of cartoons.

Do Managers Read?

The study "Do Managers Read?" by John Blagden published by the British Institute of Management and reviewed on this page yesterday is available from Cranfield Institute of Technology, Cranfield, Bedford, MK43 0AL, price £3 or £2 to members of the BIM.

LOMBARD

Trading with the EEC

BY IAN DAVIDSON

IT WAS PROBABLY no accident (as they say in Eastern Europe) that, in his Blackpool speech, Mr. Anthony Wedgwood Benn spoke of bringing back the decision-making powers from Brussels to the House of Commons, rather than of simply leaving the European Community. No doubt to his anti-Market audience this is an empty semantic difference, but I suspect that Mr. Wedgwood Benn has been looking at the figures. Certainly it would be difficult for him — or it *should* be difficult for him—simply to repeat the arguments he used in the 1975 referendum.

His primary economic argument then, you will recall, rested on the deterioration which had taken place in Britain's trade balance with the Community in the two years since our accession in 1973. He even managed to prove, with the help of the ingenious Mr. Michael Meacher, that the European Community was responsible for the whole of the British unemployment problem.

Steady climb

In the past five years, however, the trade picture has changed rather radically. In 1975, Britain's visible export/import ratio with the rest of the EEC reached a low point of 70 per cent. Since then it has climbed pretty steadily to 86 per cent in 1979 and nearly 94 per cent in the first half of this year. Not good enough, of course, and certainly not as *good as it was in 1970*, *when* the ratio was 102 per cent. But it is hard to deny the overall improvement since referendum year.

It is equally hard to deny that there has been a surprising improvement in our food and beverage trade with the Community. The balance remains heavily negative, inevitably, but the export/import ratio has gone up from 27 per cent in 1975 to 49 per cent last year.

Of course, there are special factors in the overall improvement, and oil is the most obvious of them. Since 1975 British exports of oil and fuels to the Community have gone up over six times, and the export/import ratio has shifted from 55-60 per cent to 170 per cent.

The other special factor is that there has been a further *deterioration* in the UK-EEC trade balance in manufactured goods. Between 1975 and 1976 the export-import ratio improved from 90 to 94 per cent, but since then it has slid to 82 per cent last year. The major culprit in the manufacturing sector has been the motor industry, where the ratio has slumped from 89 per cent to 44 per cent.

Opting out

Unreconstructed anti-Marketeers may see this deterioration on manufacturing account as a confirmation of their desire to leave the Community. There is just one problem: Germany has overtaken the U.S. as Britain's single biggest export market, and the EEC share in British exports has gone up to 42 per *cent, from well under a third* at the beginning of the decade. If our manufacturing exporters find it difficult to compete against the Japans and the Koreas behind the (rather modest) protection of the European customs union, they are unlikely to do better in general without that protection.

That may be why Mr. Wedgwood Benn speaks of bringing back the decision-making powers from Brussels to London; perhaps he hopes to retain most of the advantages of trade access to the Common Market, while opting out of all common policies, notably the Common Agricultural Policy.

Mr. Wedgwood Benn would not, of course, be comforted by the thought that the Common Agricultural Policy could come under invincible pressure for reform well before the next election in 1984, partly because it will start to run out of money in the next couple of years, partly because Britain's budgetary complaint against the EEC can only be resolved with the help of a CAP reform. No, Mr. Wedgwood Benn is not really interested in trade and *finance; his dream, like that of* Mr. Enoch Powell, is about that voluptuous mermaid, National Sovereignty.

What's new among hardy border plants

GARDENS TODAY

BY ROBIN LANE FOX

WHAT IS the news this year among hardy border plants? It depends who you are.

There is nothing sensationally new but there are some recent discoveries which have proved their worth and have now grown into promising clumps in the gardens of their first amateur patrons. Here, I would single out the wonderful new forms of *Montbretia*, the ones named Lucifer, Jackanapes and Emily Mackenzie.

These and the *Crocosmias* of the early 1960s have quite changed the August garden for those of you on light and sunny soils. They are completely hardy and can be ordered from their champions, Bressingham *Gardens, Diss, Norfolk.*

Fiery reds and orange

If you are starting with a *blank south facing border*, give space to these three-foot-high plants and enjoy their flowers in fiery reds and orange, sometimes marked with zones of darker colour. They are still too unfamiliar.

There is a different sort of novelty, the new possibilities with long-known plants from the wild, either plants which nobody has noticed or plants which have thrown up a specially good form for private gardeners. Supply can be a *problem, but I want* to dwell on some reliable new forms which have begun to prove themselves to connoisseurs.

The first three, happily, have silver leaves. They are all available from Beth Chatto, White Barn House, Elmstead Market, Colchester, in whose nursery two of them first saw the commercial light. These are felted white forms of *helichrysum*, that precious family with silver white leaves for dry and well-drained places. The felted leaves of an old one called *plicatum* would be familiar if you could put a latin name to *their two-foot-high bushes* of white leaf and round heads of yellow summer flowers.

The selected cross, called White Barn, is much more impressive and has caught my notice at the shows and at two south-eastern gardens. Its leaves are larger, whiter and more ample. A group of five could easily be contrived from cuttings and would stand prettily beside groups of the penstemons which I discussed recently and the glorious blue of hardy *agapanthus*. The other form, Sulphur Light, is not so tall and not quite so adaptable in gardens whose drainage is dubious. It spreads slowly into a mat of thin felted leaves, quite white from a distance and well set with sulphur yellow flowers in early August.

It is not much more than a foot high and has a useful future as an edging plant in front of beds of iris and old-fashioned roses.

The third may turn out to be the most popular. It is an *Artemisia*, silver white again, which *is* unusually bright when first in growth. Later in the summer, it has to be trimmed, but as a start to a border its young shoots are as vivid as a white star. It is to be sold as Artemisia Valerie Finnis, one of the many recent crosses and discoveries which that fine plantswoman has given us from her garden of raised beds. About two feet high, it is a willing plant on all but the heaviest soil.

It may not help you to know that it is a broader form of one called *Ludoviciana*. It may help readers, however, who have gardens abroad, to know that their best bet, silver leaved plants, have gained this useful new form, an excellent plant for a group in the near front of a border or among shrubs.

In the world of flowers, it is a short-sighted gardener nowadays who misses out on the new arrivals among day lillies. I had my doubts at first, when the breeders strove to give us a flower which they could describe as red. They have settled down now to some flowers of exceptional beauty which make the old oranges and burned pinks quite out of date.

Kelways of Langport, Somerset, stock a splendid range of the newer crosses. I am *delighted with a large flowered* lemon-yellow called Nighthawk, a deep red Stafford with a yellow line to each petal, and any of the peach pinks, especially the vigorous Pink Prelude. I cannot stress too strongly the ease and value of these lovely plants. They will grow in sun or shade, in any good soil. Perhaps a westerly aspect sees them at their best, but their great clumps of roots will block out any weeds and do your job for you.

My only complaint is their length of time in flower is exaggerated. Two to three weeks sees the end of them, though different varieties stretch the season from July to mid-August. Perhaps the name "day" lily has caused nurserymen to over-compensate by assuring us they last for several months.

One good crop is followed by a few late flowers, but it is quite enough. You can edge them with longer lasting violas.

In sun, the *Agapanthus* is a marvellous pair in its leaf, shape and season. There are several new forms around, none of them cheap, but I am sure by now that the fairly recent Profusion is here to stay. Its stems are only two feet and will not lean away from the plant, one small disadvantage to the taller sorts.

The flowers are a soft, medium blue but are worth buying for their abundance, remarkable even by a free flowering family's standards. The older white variety is still an excellent match for the blues, and I would also single out the dark Oxford Blue Isis, another which has stayed the course. Winter wet is more of a menace than frost to these modern hardy forms.

The days of *Agapanthus* in hothouse tubs are now past, but *I am amazed that so few* gardeners have woken up to them. It is worth sowing the seed which is now ripening and making over a corner of the garden to a line of seedlings for two or three years.

Advancing border

When they flower, you can weed out the poor colours, but you may also have some fine variations. Whites and white variegated leaves are but two of the home-grown varieties which I have had over the years. The plants are not cheap, so it is worth using seed as it germinates so freely.

The border, you can see, is not standing still and the 1980s will continue to advance it, perhaps especially with the Japanese hostas which are still slowly building up stock and showing their mature virtues.

The best garden news takes years to prove itself, but even these few new varieties will give you a worthwhile run. They would all go well together —a bed which *you could not* have enjoyed a dozen years ago.

Few problems for Marwell

RACING

BY DOMINIC WIGAN

UNLESS she has "gone over the top" following a fairly busy summer, Marwell should have few problems at Newmarket this afternoon as she bids to extend her unbeaten sequence to five in the William Hill Cheveley Park Stakes.

Michael Stoute's beautifully bred filly—an own sister to Lord Seymour—has done all that has been asked of her to date and on each occasion has looked a top-class second season prospect in the making. Furthermore, in contrast with her extremely talented but moody brother, *Marwell* has already shown herself to possess a perfect relaxed racing temperament. There is no knowing by how far Marwell could have beaten Welshwyn in Doncaster's Flying Childers Stakes last month; but there is no doubt that her superiority was far more overwhelming than the winning distance of three lengths might suggest.

Likely to be held up until the eight-runner field sweeps down into the dip, Marwell should then settle the issue in a matter of strides from her No. 4 draw and prove herself Newmarket's best prospect for the 1,000 Guineas.

Few Northern-based trainers do better at Newmarket in the autumn than Reg Hollinshead and no one should be surprised if he lifts the Phantom House Handicap for a second successive year with Emperor's Shadow.

Although Marwell's stable companion, Blue Lass—a full sister to Kashmir Blue—will have plenty of supporters when she goes to the post for Brighton's Race Hill Stakes, I doubt whether she will beat Ringal. Scobie Breasley's juvenile has been unfortunate not to collect to date and this easy five furlongs will suit him admirably.

Later in the afternoon, stablemate Grand Conde can lift the Eric Simms Memorial Handicap for a second successive time.

NEWMARKET
2.00—El Strad
2.30—Running Mill
3.00—Marwell
3.30—Emperor's Shadow*
4.05—Golden Flak
4.35—Selsdon Park

BRIGHTON
1.45—Ringal***
2.15—Mohock
2.45—Grand Conde**
3.15—Light Sentence
3.45—Botanist
4.15—Jane Austen (U.S.)

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (ultra high frequency) only). 9.05 For Schools, Colleges. 11.25 You and Me. 11.40 For Schools, *Colleges. 12.45 pm News. 1.00* Pebble Mill at One. 1.45 Seesaw. 2.01 For Schools, Colleges. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Mighty Mouse. 4.25 Jackanory with Instant Sunshine. 4.40 Think of a Number. 5.05 John Craven's Newsround. *5.10* Playhouse.
5.40 News.
5.55 Nationwide (London and South East only.
6.20 Nationwide.
6.45 Angels.
7.10 Where Are They Now?
7.40 Lynda Carter: Encore.
8.30 Oh Happy Band!
9.00 Party Political Broadcast by the Conservative Party.
9.10 News.
9.35 Sportsnight.
10.30 Parkinson.
11.30 The Sky at Night.
11.50 News headlines.

All Regions as BBC 1 except as follows:—

BBC Cymru/Wales — 11.02-11.22 am Ffenestri Dail Y Coad. 2.18-2.38 pm I Ysgolion. Hyn O Fyd. 5.55-5.20 Wales Today. 6.45 Heddiw. 7.10 Tom and Jerry. 7.15-7.40 Angels. 11.30 European Cup Winners Cup Competition. 12.05 The Sky at Night. 12.25 News and Weather for Wales.

Scotland—11.02-11.22 am For *Schools. 12.40-12.45 pm The* Scottish News. 5.55-6.20 Reporting Scotland. 11.50 News headlines, News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.30 Soccer. European Cup-Winners Cup (highlights). 12.05 am The Sky at Night. 12.25 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leds, Newcastle); Look North-west (Manchester); Midlands Today (Birmingham); Points West *(Bristol)*; South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
9.05 Gharbar.
9.30 Labour Party Conference.
11.00 Play School (As BBC 1 (3.55 pm).
11.25-12.30 pm and 2.00 Labour Party Conference.
4.50 Open University.
6.55 Embroidery.
7.20 Mid-Evening News.
7.30 The Book Programme.
8.00 Rex Whistler.
9.00 M*A*S*H.
9.25 We, the Accused.
10.15 Jack High.
10.45 Party Political Broadcast on behalf of the Conservative Party.
10.55 Newsnight.

LONDON

9.30 am Schools' Programmes. 12.00 The Munch Bunch. 12.10 pm Rainbow. 12.30 About Britain. 1.00 News plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 Racing from Newmarket. 3.15 Labour Party Conference. 4.15 A Musical World. 4.45 The Squad. 5.15 Emmerdale Farm.
5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 Hart of the Yard.
7.30 Coronation Street.
8.00 The Morecambe and Wise Show.
8.30 Cowboys.
9.00 Flickers.
10.00 Party Political Broadcast by the Conservative Party.
10.10 News.
10.40 Midweek Sports Special.
12.10 am Close: "Sit Up and Listen" with Tony Bastable.

All IBA Regions as London except at the following times:—

ANGLIA

9.15 am Jobline (guide to those looking for jobs in the region). 12.30 pm The Riordans. 1.20 Anglia News. 5.15 Mr. and Mrs 6.00 About Anglia. 12.10 am Barney Miller. 12.40 The Big Question.

ATV

12.30 pm The Riordans. 1.20 ATV *News. 5.15 Doctor Down Under. 6.00* ATV Today with ATV News. 6.05 Crossroads. 6.30 ATV Today. 12.10 am ATV News. 12.15 Late Night Country Music: Dolly Parton

BORDER

12.30 pm World We Live In. 1.20 Border News 5.15 The Lost Islands. 6.00 Lookaround Wednesday. 12.10 am *Border News Summary.*

CHANNEL

12.30 pm The Riordans. 1.20 Channel Lunchtime News, What's On, Where and Weather. 6.00 Channel Report. 10.00 A Chance to Meet . . . Richard Baker. 10.38 Channel Late News. 12.10 am News and Weather in French followed by Epilogue.

GRAMPIAN

9.25 am First Thing. 12.30 pm The Riordans. 1.20 North News. 5.15 Batman. 6.00 North Tonight. 10.40 Mid-Week Scotsport. 11.10 Reflections. 11.15 Late Night Country Music (Conway Twitty in Concert). 12.15 am North Headlines.

GRANADA

12.30 pm The Riordans. 1.20 Granada Reports. 5.15 Life Begins At Forty. 6.00 Granada Reports. 6.30 This Is Your Right. 12.10 am The Jazz Series (Annie Ross with Jimmy Deuchar).

HTV

12.30 pm The Riordans. 1.20 HTV News. 5.15 Dick Tracy. 5.20 Crossroads. 6.00 Report West. 6.30 Survival. 10.38 HTV News.

HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm Ffalabalam. 4.45-5.15 Ni A Nhw. 6.00 Y Dydd. 6.15-6.30 Report Wales.

SCOTTISH

12.30 pm The Riordans. 1.20 News and Road and Weather. 5.15 What Happened Next? 5.20 Crossroads. 6.00 Scotland Today. 6.20 Tove's Talk Back. 6.30 The Scottish Disco Dance Championships. 10.40 Midweek Scotsport 11.10 The Odd Couple. 11.40 Late Call. 11.45 Brass In Concert.

SOUTHERN

12.30 pm The Riordans. 1.20 Southern News 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Day By Day 6.35 Scene Midweek (South-East area only).

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 12.30 pm The Riordans. 1.20 North East News. 1.25 Where the Jobs Are. 5.15 Mr. and Mrs. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 10.40 North East News 12.10 am To Have and to Hold.

ULSTER

1.20 pm Lunchtime. 4.13 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 10.39 Ulster Weather. 12.10 am Bedtime.

WESTWARD

12.30 pm The Riordans. 1.20 Westward News Headlines. 5.12 Gus Honeybun's Birthdays. 6.00 Westward Diary. 10.41 Westward Late News. 12.10 am Faith for Life. 12.15 West Country Weather and Shipping Forecast.

YORKSHIRE

12.30 pm The Riordans. 1.20 Calendar News. 5.15 Against The Wind. 6.00 Calendar (Emley Moor and Belmont editions). 12.10 am Police Surgeon.

Radio Wavelengths

1	1053kHz/285m 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo
2	693kHz/433m 909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92.95vhf

BBC Radio London: 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast

5.00 am As Radio 2. 7.00 Dave Lee Travis. 9.32 Simon Bates with The Golden Hour—Part 1: 1964. 10.32 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.32 Simon Bates with The Golden Hour—Part 2. 3.32 Peter Powell. 6.31 Radio 1 Mailbag. 7.31 *Mike Read. 10.02-12.00 John Peel (S).*

VHF Radios 1 and 2: 5.00 am With Radio 2. 8.02 pm Listen to the Band (S). 8.45 Alan Dell with Dance Band Days. 9.15 Walter Midgley Remembers (S). 9.55 Sports Desk. 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Ray Moore (S). 7.32 Terry Wogan (S). 10.03 Jimmy Young (S). 12.03 pm David Hamilton (S). 2.03 Ed Stewart's Request Show (S) including Racing at Newmarket. 4.03 Much More Music with David Symonds (S). 6.03 John Dunn (S). 8.02 European Soccer Special. 9.30 Walter Midgley Remembers (S) (joins VHF). 9.55 Sports Desk. 10.02 Funny You Should Ask. 10.30 Hubert Gregg says Thanks for the Memory. 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice, part 1 (S). 8.00 News. 8.05 Your Midweek Choice, part 2 (S). 8.55 Clare's Country Characters (poetry reading). 9.00 News. 9.05 This Week's Composer: Handel (S). 10.05 Music for Organ (S). 10.45 Settings of Auden (S). 11.45 BBC Scottish Symphony Orchestra (S). 1.00 pm News. 1.05 Concert Hall (S). 2.05 Music Weekly (S). 2.55 Vega Wind Quintet (S). 3.45 Haydn and Dvorak string quartet recital (S). 4.55 News. 5.00 Mainly for Pleasure (S) († and mono only from 6.20). 7.00 BBC Welsh Symphony Orchestra (S). 8.30 "Birdsong," play by James Saunders (S). 9.20 Building a Library (S). 10.25 Six Continents. 10.45 Couperin (S). 11.00 News. 11.05-11.15 Time Piece: Paul Patterson on record (S).

VHF ONLY— Open University: 6.20-6.55 am and 6.20-7.00 pm, and for students in Radio Scotland and Radio Cymru areas only: 12.00-1.00 am.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines. 7.45 Thought for the Day. 8.45 Looseley Engaged. 9.00 News. 9.05 Mid-Week: Sherrin After Breakfast. 10.00 News. 10.02 Gardener's Question Time. 10.30 Daily Service (s). 10.45 Story Time. 11.00 News. 11.05 Johnny Morris with records. 12.00 News. 12.02 pm You and Yours. 12.27 My Word! (s). 12.55 Weather; programme news. 1.00 The World at One. 1.35 Party Political Broadcast by the Conservative Party. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre. 4.00 Choral Evensong (s). 4.45 Short Story. 5.00 PM: News Magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 The Year in Question. 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 Person to Person. 8.45 File on 4. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Rumpole (s). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Unforgettables with Edward Cole. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 4.30 London News Desk. 7.03 Black Londoners. 8.00 ... 5.00 am Join Radio 2.

London Broadcasting

6.00 am AM with Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 8.00 pm Jazz After Eight—Keith Howell. 9.00 Mike Dickin—Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 4.00 Network. 5.00 Morning Music.

Capital Radio

6.00 am Mike Smith's Breakfast Show (s). 9.00 Michael Aspel (s). 12.00 Graham Dene (s). 3.00 pm London Today (s). 7.00 London Tonight with Sarah Ward (s). 9.00 Nicky Horne (s). 11.00 Tony Myatt's Late Show (s). 2.00 am Richard Allinson's Night Flight (s).

F.T. CROSSWORD PUZZLE No. 4,388

ACROSS

1 Eat tidy (3, 4)
5 So a lamb might become Davidson (7)
9 Sob-sister in action as announcer (5)
10 Pole vaulter hopes to go to such a garage door (2, 3, 4)
11 Carry out tool (9)
12 Headgear putting soldiers in flutter (5)
13 Minds chap leading newsmen (5)
15 More animated typing section in the north-west (9)
18 Sucker for two parts of meal (9)
19 Sarah gets little work in county (5)
21 Drive back to Peterhead during part of film (5)
23 Niagara left by trips (5, 4)
25 Waist of time? (4, 5)
26 A person given key to home (5)
27 Crook looking after Aunt Sally (7)
28 Top side is put into place (7)

DOWN

1 Measure one call for silence when hungry (7)
2 Queue to put together appendage (9)
3 Drunk swore at inferior (5)
4 I don't know of request for information (3, 4, 2)
5 A constituent is seen separately (5)
6 Border poet and what he might have to face (4, 5)
7 Purchase in bar (5)
8 Ruin twisted tail of a husband (7)
14 Established by a trifling fire (3, 6)
16 Animated devil as it may appear (9)
17 Clear outside left one ignorant (9)
18 Fleshy fruit may be so-so sir (7)
20 Sign indicating door key not heartless (7)
22 Writer joins New York copper (5)
23 Just the pound inside gift (5)
24 Rascal puts one off sea-food (5)

Solution to Puzzle No. 4,387

ENTERTAINMENT GUIDE

OPERA & BALLET

THEATRES

CINEMAS

ART GALLERIES

CLUBS

Television

Back in the booby hatch

by CHRIS DUNKLEY

Coming back to British television after several weeks away is like slipping back into the routine of a well remembered lunatic asylum. On the one hand it is comforting in its familiarity, but on the other hand some of the more barmy goings-on to which one had become inured suddenly stand out for what they really are.

Within minutes of switching on the set I found myself faced by a washing powder commercial and, being out of practice, actually listened to it. A woman with one of those awfully calm and reasonable voices described the activity of the lady we were watching on screen doing the laundry. "Then she decided to do a window test," cooed the voice-over. "At her—"

Just a moent, she decided to what? Why is this advertisement pretending that we all do "a window test" so often that it can be talked about in this matter-of-fact way when actually it is entirely the far-fetched invention of the advertising agency? It is I suppose pretty obvious why: because he hopes to retain his client's share of what is doubtless a static and saturated market. The lady with the oh-so-trustworthy and likeable voice continues: "At her window in critical daylight . . ."

In what sort of daylight? Presumably the idea is to suggest contrary to what you and I know about the dazzling effect of sunlight on a white sheet (useless for discerning subtle blemishes) that daylight is very telling, very revealing. The puzzle is that the phrase "critical daylight" is used casually as though, once again, it were a familiar everyday term. It is, more than anything else, the insulting absurdity of advertisements such as this which sets commercial television apart from public service television.

The programme makers in ITV are little different from those at the BBC — nowadays somewhat richer, perhaps, but otherwise indistinguishable. Indeed they are very often the same people: many drama directors and documentary and current affairs producers are freelance and work on both sides. Furthermore if you take BBC and ITV executives abroad for 10 days and mix them up together at a television festival it is just as difficult to tell them apart (impossible for the outsider) as it is to tell commercially produced programmes from public service programmes in the festival itself. Several of the chief executives in Britain's commercial television companies are BBC trained men, and several of today's top BBC executives worked previously in ITV.

Yet even if the entire personnel and, come to that, the content of whole programmes were interchangeable it would not alter the fact that there are two differences between commercial and public service broadcasting: first, where public service broadcasting has the single fundamental purpose of making programmes, commercial broadcasting has the additional vital aim (arguably a primary one) of making a profit; and second, as a consequence, commercial television carries advertisements.

Like the one involving a "window test" and "critical daylight" these are generally aimed at the dim-witted and, however good the surrounding programmes and whatever the programme makers' estimate of the intelligence of their audience, this tacit assumption by the advertisers of credulousness and stupidity in the viewer lends a certain tone to the output of the entire channel.

Of course, we learn to switch off mentally when the ads come on, so that usually we are aware only sub-consciously of the patronising attitude which is emphasised every quarter of an hour or so. But when you return after a few weeks elsewhere it suddenly becomes obvious again.

The second similarity to events in the booby hatch arises from the news and current affairs programmes: when I left they were obsessed with Afghanistan. Now it is as though Afghanistan had never existed —the obsession has switched to Iraq and Iran and the burning question (sorry) of whether our 100-day oil reserves will see us through. Have the Pathans stopped ambushing Russian tanks? Have the Russians pulled their armies out of Afghanistan? Who cares, there's a new war to cover with much bigger columns of smoke than any the cameras managed to film in Afghanistan.

To be fair, Panorama carried a good if brief report by Jeremy Paxton on Iraq's President Saddam Husain as well as its analysis of the Labour Party's internal struggles at the start of conference week, an analysis which (not for the first time) was superior to TV Eye's on the same subject in the same week.

But leaving aside such niggling considerations as war-hopping for the choicest drama and treating the audience like morons, what about the bulk of the programmes in the new autumn schedules, the season for which the broadcasters habitually save all their juiciest goodies? It is hard to be sure after only a week, but so far it looks like a pretty poor vintage, and that is rather surprising at least for ITV since the licences come up for renewal so soon.

It is ITV more than the BBC which is supplying that sense of reassurance upon returning to the loony bin by providing the cosy familiarity of Morecambe And Wise, Tommy Cooper and Benny Hill. All are efficient enough at their jobs, but having looked forward during the summer when the second eleven comedians were sent on, to the return of such top talent in the autumn they do seem to lack a certain something now that they are here again.

What is more the new situation comedies all seem to have an oddly familiar look too. In the case of ITV's Nobody's Perfect it is hardly surprising since the scripts are re-worked from Norman Lear's American series Maude which spun off from All In The Family. The mystery is why we can't have Maude herself who, though not quite as funny as Soap, is a lot more amusing than Mary Hartman and with a much finer wit. The first episode of this English version was spoiled, for me anyway, by the ludicrous discrepancy between the modest humour in the material and the hurricanes of mirth in the canned laughter.

Benson is familiar because he is the genuine American article, spun off from Soap into his own series which, again, has a canned laughter track that very nearly ruins the show. ("Videotaped in front of a live audience" is neither here nor there since the producer's capacity to "enhance" studio laughter is talunlimited.)

Both Nobody's Perfect and Holding The Fort appear to rely for their central joke on the same idea as countless other series during the last few years: the pairing of the efficient, dominant female with the ineffectual, bumbling, virtually neutered male. Out there in sitcom land there's still a lot of deep anxiety about the significance of women's lib. Alone among this season's batch Cowboys doesn't actually seem to feature a central female character, and although all its men are again wimps, the dialogue is idiosyncratic enough to suggest distinct promise.

Juliet Bravo is BBC1's new police series which is built around a woman police inspector — daringly different, eh?— and the same channel's Thursday serial Mackenzie is another steaming family imbroglio from Andrea Newman, the Bouquet Of Barbed Wire writer. Even if, like me, you did not check before watching, the authorship rapidly became apparent because like its predecessor the writing of Mackenzie fosters such an indulgent attitude towards the weakness of contemporary morality. It seems to be aimed once again at those who cannot quite manage to read the Guardian women's page without moving their lips.

We The Accused, an adaptation of an Ernest Raymond novel which was unknown to me, lengthens yet again producer Jonathan Powell's extraordinary list of successes: his previous three productions were Pride And Prejudice, Testament of Youth and Tinker Tailor Soldier Spy. This murder story set in the twenties, though tantalisingly short, looks as well chosen, adapted and cast as all the others. Though it was, by comparison, rubbish last week's episode of ATV's Hammer House Of Horrors was entertaining rubbish and we may need to return to it in a later column.

The series I suspect we shall be coming back to most however, because they appear, so far anyway, to be the most interesting of the season are ATV's Flickers which is using some very heavily stylised techniques for its drama set in the early days of the English movie industry; and BBC2's Shock Of The New which is attempting a much needed job in thinking a pathway through "modern art," a subject which, on its own, could drive any sane individual to the nearest nut house.

Ian Holm and Angela Down in "We, The Accused"

King's Head

Funny Turns

by B. A. YOUNG

There are two funny turns in this marvellous evening's entertainment. First comes the Great Soprendo, a Spanish conjurer ("I do not do conjuring tricks. Only miracles"). Beaming from a face that recalled the Oily Levantine at Her Majesty's, he performs a series of tricks that may be familiar to conjuring buffs, but as far as I am concerned continue to be happily impossible. Ropes, snipped into bits by fingers imitating scissors, become whole again; if they had knots in them, they have no longer. A newspaper torn into strips reverts to its pristine condition without so much as a moment's concealment from our questing eyes. A ring, a card, a bottle, an egg can be made to disappear and return in the most improbable circumstances.

Oh yest, I know, he had it up his sleeve. Anyone can palm a grand piano. But I don't want to know how it's done, I just like seeing it done, and Soprendo does it with a stream of such delightful patter that it's no wonder that, as he modestly claims, "I am very big in the Canaries."

After the interval there is Victoria Wood, a more familiar character, who in her homely frock and low-heeled red boots looks as if she might have come straight from the W.I. at Morecambe. This is the world she sings about in her pitilessly observant songs, as she sits at the keyboard rattling out her accompaniments and challenging us over the piano not to be one of the boring people she deals with, with their world of queueing and slimming and hobbies. When sex comes into this world, it is sharply put into its proper place through the back door.

In mid-month Miss Wood is bringing to the King's Head the play with music that I saw in Sheffield earlier this year. Until then, we have this splendid hors d'oeuvre varié of herself and the Great Soprendo, which I can't recommend too highly.

Leonard Burt

Victoria Wood

Elizabeth Hall

NCO/Pallis

by PAUL DRIVER

Monday's short programme under the orchestra's chief conductor, Nicholas Smith, did not on paper seem an exceptionable or adventurous one, yet in the very docility of the music played lurked a certain quality of the bizarre. Salient in this respect was the Nocturne de l'Éphèmere (The May-fly's Evensong) — receiving its premiere—by a composer called Marco Pallis. The programme notes informed us that he was born of Alexander Pallis, a leading Greek poet, and brought up in Liverpool; that he studied the viol with Arnold Dolmetsch, going on to co-found the English Consort of Viols; that he has composed part-songs and music for viols and is the author of a couple of books on Buddhism.

His work is a setting of an aromatic French poem by his brother, Andrea, which praises the life-cycle of the may-fly and depicts its long maturation towards a single night of love and death as a symbol of the "Mystical Union between the human lover and the Divine Beloved." Pallis, using a sizeable chamber orchestra (full brass, bass clarinet), supplies music that is simple, grateful to the voice and lusciously tonal (when was it written?). Not native and folksy, the idiom suggested Strauss in Mozartian mood, without the sophistication. The setting runs continuously (for about 15 minutes), plodding through its longish text rather in the manner of a baroque cantata. While the conception does have novelty and the execution a homely sincerity, the sheer harmlessness of Pallis's Nocturne, its remoteness from reality, was considerably perplexing. Christopher Underwood managed the big baritone part strongly and smoothly; the accompaniment was well balanced. The small audience was much gratified and gave the composer four ovations

Gerald Finzi's Let Us Garlands Bring—five Shakespeare lyrics for baritone and strings—drew further on Mr. Underwood whose renderings had but a muted life. Mr. Smith's tempi unduly retarded already somnolent inventions. Finzi's handlings of "Come away, Death" and "Fear no more the Heat of the Sun," marked respectively "lugubre" and "grave," are meant to capture the mock mourning in both; but they succeed in making it wearisomely literal. Only in "O Mistress Mine" did a vitality of word-setting stand out, and then it was in a master stroke, the focussing of Finzi's harmonic false-relations to express the line, "Wha's to come is still unsure." Sir Thomas Beecham's arrangements of numbers from Handel's Il Pastor Fido were played in the right, discreetly fulsome style, and intermittently (in the Gavotte and Minuet) revealed a rum, sub-Stravinsky editorial hand.

Sadler's Wells Theatre

Northern Ballet Theatre

by CLEMENT CRISP

Ballets are not about paintings, and I suspect they are not about operas. Or so Northern Ballet Theatre's programme on Tuesday night led me to feel, at the start of the company's season in Rosebery Avenue. Of the two interminable works on display, one was inspired by the paintings and writings of the naif artist Helen Bradley, the other was an adaptation and diminution of Madame Butterfly. Tableaux not-so-vivants both they were suddenly startling when the dancers danced. For far too much of the evening there was an abundance of earnest out-stretched arms (the end of Butterfly a semaphorist's delight) and less than purposeful standing-about.

The justification for such pieces is perhaps NBT's need to attract a regional audience with the lure of established favourites: I detected some humming-along with Cio Cio San during One fine day, and a gratified reaction to the Edwardian never-never-land of Helen Bradley's Sunday paintings. But as ballets, both are non-starters. Geoffrey Cauley, choreographer of the Bradley epic, has been reduced to cliché in plumping out the action: a funeral; Blackpool, with debilitated pierrots; an inexcusable cod pas de deux—part Corsaire, part Raymonda—for a Lord Mayor and a ballerina as Queen of Sheba (it is too tiresome to explain why), unredeemed even by Alexandra Worrall's saucy glances. The stage picture is elegant, thanks to the admirable Philip Prowse, and Mari Kay Mackenzie does her charming best as the eponymous heroine. What the ballet might have been is suggested in a gentle duet for Mackenzie and Ian Knowles as a sporting bank-manager. There is a score, unrelentingly amiable, from Joseph Horovitz; umbrellas; screams; a narration from the heroine of Coronation Street; a small boy; a splendid railway train; and as much choreography in an hour as in 30 seconds of Agon.

Madam Butterfly also benefits from attractive designs, by Michael Holt. In Sui Kan Chiang it has a heroine who looks entirely probable in her prettiness, and who dances, given the chance, with passion. Jonathan Thorpe, as choreographer, has opted for a literal account of the opera's progress. But ballet's time-scale is different from opera's, and the orchestration of a vocal score takes away Puccini's greatest quality: his intense feeling for the emotional possibilities of the human voice. There thus remains only a thin musical text which accentuates the sentimental japonaiserie of the tale, and little positive characterisation—an inherent fault of the opera, save in the role of Butterfly. The ballet contains one long pas de deux for Butterfly and Pinkerton after their marriage—in which Sui Kan Chiang marked the development of the girl's feelings with delicate skill—and a great deal of inscrutable stalking of the stage, relieved by a group of fugitives from The Mikado, who tittup, and smirk behind fans, and twirl paper parasols.

Liverpool Everyman

The Warp

Neil Oram's autobiographical odyssey was first seen in its full length and glory at the ICA early last year. The director was Ken Campbell, who opens up his Artistic Directorate of the Everyman by restoring the weekly rep habit and producing The Warp (first episode: "The Storm's Howling Through Tiflis") in ten instalments to play successively from now until December. The appointment of Mr. Campbell is one of the more inspired around our regional theatres of late and, after Monday night's première, one can only rejoice that, after a couple of years in the doldrums, this splendid house has the leadership it deserves. The young Liverpool school of playwrights (Russell, Bleasdale, Stott, Morrison) is hardly played out, but the Campbell style of crude, improvisational theatre could be just the shot in the arm that is needed.

The seats have been taken out and the audience either squats on a bench or mills around one of the five main acting areas. Up above, the band's music is discreetly amplified to register the expanding mental state of the hero, Phil. That sleek and precise actor, Neil Cunningham, is already firmly established as the epic's linking narrator although he does take time off to deliver a highly polished cameo performance as an auditing scientologist who takes Phil on an instant Proustian visit to his childhood and then turns up as a stalwart of Sam Widges Soho jazz café where he recounts a diabolical (sic) story about playing the Fool to John Barrymore's Lear at the top of a tower.

That kind of tall story characterises a piece which abounds in loony extroverts and their exploits. All of this anecdotal narrative is fed through Phil who, by the end of this week's episode, is rescuing an officer of the law from a job he despises. Even in just three hours we have travelled a long way from the prologue in 15th Century Bavaria and a torrid 1950s garden shed encounter with an expressive nymphomaniac who, quite literally, has Phil over a barrel. Apart from Russell Denton laying the foundations once again for his mammoth central role, good points in this delightfully ambiguous spoof celebration of the English beat generation have already been scored by Jim Broadbent, Helen Cooper, Lewis Cowen and John Joyce.

MICHAEL COVENEY.

Export licences suspended

Mr. Norman St. John-Stevas, Minister for the Arts, has accepted the recommendations of the reviewing committee on the Export of Works of Art that licences to export a Greek amphora by the potter Andokides, a painting by John Closterman, and a Persian manuscript—the World History of Rashid al-Din should be withheld for periods of three, two and three months respectively.

Rainbow

Elvis Costello

It is fifty years ago that the Astoria opened in Finsbury Park, "a stately pleasure dome" designed to take the local population out of their mundane lives for a few hours with films and stage spectaculars performed against a background of tinkling fountains and twinkling stars. The building survives as the Rainbow and still offers escape from reality in the form of pop concerts. To celebrate the anniversary, and with help from Levis jeans, the Rainbow presented Elvis Costello and the Attractions, a safe rather than an inspired choice.

This was a much more positive Costello than in the past: the shocking pink jacket proved that, as well as the brisk pace with which he rattled off his songs. But he does seem stuck as the thinking man's rebel. What was once the most sophisticated and intelligent of new wave music, with lyrics that exploited the freedom of the sound, now seems restricted by its constant chewing at the same bone. His answer, in the new songs, is to play faster, and the subtleties which presumably they contain get missed in performance.

Still for the first half hour, before the freshness expired, this was good contemporary rock, with the excellent band as professional as ever and Costello much more confident in his singing and guitar playing. How to develop must be a headache for him, but when the light-show began to work on "Watching the detectives" and with such strong encore songs as "Alison" to call upon, this was an effective if not a spectacular performance. His opening moments, when he performed with guitar and just keyboards, was somehow more appealing than the general slog: perhaps, after all, Elvis Costello is a songwriter rather than a rock artist.

ANTONY THORNCROFT

Mobil-Greenwich concerts link for fourth year

Mobil Oil Company is to sponsor a fourth season of international classical concerts in Christopher Wren's Chapel at the Royal Naval College, Greenwich.

Artists from Spain, Russia and Germany including Teresa Berganza, Vladimir Ashkenazy and the Berlin Chamber Orchestra are featured in the seven-month season which begins this month.

This season, the fourth successive partnership between Mobil and the Greenwich Entertainment Service, starts on October 16.

Tickets are available from Greenwich Entertainment Service Box Office, 25 Woolwich New Road, SE18 (317 8687) or from Greenwich Theatre Box Office, Croms Hill SE10 (callers only). Prices £3.00, £2.50, £1.75, £1.25.

FINANCIAL TIMES
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Telephone: 01-248 8000

Wednesday October 1 1980

A war no one can win

THE WAR launched by Iraq against Iran increasingly looks like a miscalculation by the leadership in Baghdad. To make small territorial gains, which are part of their declared war aims, and to increase their power within the Gulf, the Iraqis needed a short war in which their limited objectives could be achieved by limited means.

Instead, both sides have seen their oil industries come under sustained attack and, in spite of the disorganisation in Tehran, Ayatollah Khomeini's regime appears ready for a long battle. Claims by the Iranians that they will not negotiate so long as there are any Iraqi forces on their soil should not be dismissed as the usual Middle Eastern bragadoccio, forgotten as soon as negotiations begin.

President Zia

The danger of this conflict spreading and intensifying springs from the fact that it is difficult to see how the war can be brought to an end. At the end of his abortive mission to Tehran, President Zia ul-Haq of Pakistan, succinctly summed up the problem, by noting that "Iran is still in a revolutionary stage and mediation does not work."

This was apparently not understood in Baghdad when Iraqi President Saddam Hussein decided to attack. He thought that the chaos in Iran would make it difficult for the Iranians to go to war. He forgot that by the same token it is extremely difficult for them to make peace. Only Ayatollah Khomeini has the authority to do so, but Iran's leader is hardly embued with a spirit of compromise.

In the fighting the Iraqis have made some territorial gains, but the Iranian armed forces have held together better than most foreign observers expected. Possibly this will not last and the Iraqi army will take most of the oil province of Khuzestan, but even this is unlikely t oelicit any admission of defeat from Tehran.

Analyses

For the moment the intense faction fighting, which paralysed the Government of Ayatollah Khomeini has abated. Almost the only thing which Iranian political leaders and parties agree about is the necessity of fighting Iraq and this augurs badly for any compromise peace.

Wars in the Middle East in the past, notably those between the Arabs and Israel, have been brought to a swift end by the victory of the latter and the intervention of the U.S. and the Soviet Union. In the present conflict neither superpower has much leverage on the antagonists. It is comforting to read military analyses proving that both sides will soon run out of spare parts and ammunition thus forcing them to the conference table, but such simple arithmetic may be disregarded in both capitals.

Drawn out

It is significant that the Iraqi offensive has been stalled by dug-in militia and troops fighting in the towns with small arms rather than by sophisticated heavy weapons. It is by drawing out the fighting and by relying on weight of numbers and the zeal of its supporters, that the regime in Tehran can best hope to defeat the Iraqis.

A prolonged war inevitably brings with it the danger that the conflict will spread. The victor of the present struggle —when and if one emerges—will inevitably dominate the Gulf. Iraq is eager to get the Saudis and the smaller oil producers to show their support for its pan-Arab war aims. Iran, seldom slow to detect any conspiracy against its interests, could easily come to regard the city states of the Western Gulf as legitimate targets.

Iraq may yet regret having initiated a war which it may not be able to end. As for the West it has few effective options available apart from playing the desperate card of military intervention to keep open the Straits of Hormuz, if that should prove necessary to keep the tankers sailing. The despatch of surveillance aircraft to Saudi Arabia is little more than a precautionary gesture. To do more could provoke Soviet intervention, not to mention a violent reaction by Iran, which Washington above all wishes to avoid. The fact that the Iraqi Foreign Minister met Mr. Muskie at the United Nations yesterday may be a source of dubious satisfaction to the Americans, in view of Iraq's traditional close links with Moscow. It is unlikely to encourage the Iranians to come to the negotiating table.

Carter's plans for steel

PRESIDENT CARTER'S plans for helping the steel industry are a good deal less protectionist than might have been expected at this stage in the election campaign. They also go only part of the way towards meeting the industry's demands on the issues of taxation and anti-pollution rules. From the point of view of European and Japanese steelmakers, the reintroduction of the trigger price mechanism as a means of curbing imports is certainly preferable to the anti-dumping suits threatened by the largest American producer, U.S. Steel. It appears that these suits will now be dropped. At the same time the European Commission in Brussels has assured the Americans that there is no question of retaliation against the new trigger price arrangements.

Obsolete

The important question for the U.S. is whether, with the help of the new measures, the steel industry can improve its competitiveness and regain some of the ground lost to imports over the past two decades. Although the steelmakers strenuously deny it, many outside observers believe that the growth in imports is more a symptom than a cause of the industry's weakness. The argument is that for a variety of reasons, not least the lack of profits, the American steel companies have failed to invest in new processes such as continuous casting and rely too heavily on ageing, obsolete plant. Low profitability in turn has stemmed from formal or informal price controls imposed by the Federal Government and this has encouraged companies to invest in non-steel activities.

There is no question that the Japanese are well ahead of the U.S. as low-cost producers of steel; the fact that several U.S. companies have turned to Japan for technical assistance is a sign of how the balance of power in the world steel industry has changed.

Because of the impact of the steel industry's troubles on employment and on the balance of payments, steel has become something of a test case for President Carter's hopes of revitalising American industry. A tripartite committee, reminiscent of Britain's "Little Neddies," was set up earlier this year, bringing together representatives of management, unions and Government in a study of the industry's problems. Some of the committee's recommendations, particularly on incentives for capital investment and on support for research and development, are reflected in yesterday's announcement from the White House.

These measures are helpful but hardly spectacular. As for the trigger price, much depends on whether the American steelmakers use the opportunity to raise their own prices and hence their profitability, or hold prices down to keep imports out. The overwhelming need, in the U.S. and in Western Europe, is to press on with modernisation and restructuring. The trigger price mechanism will serve a useful purpose only if it facilitates and encourages this process.

Breathing space

The more the Federal Government becomes directly involved in the affairs of the steel industry, the greater is the danger that adjustment will be slowed down. There have already been complaints that Federal assistance to particular companies is favouring inefficient at the expense of efficient producers. It is the same dilemma which is faced by the European Community, although there the problem is aggravated by the existence of several large companies which are owned or partly owned by governments, and thus exceptionally subject to political pressures.

The trigger price system, like the Davignon Plan, was originally designed to provide a breathing space in which the steelmakers could put their house in order. How long will these temporary arrangements last? There are suggestions in Brussels that the OECD steel committee will be used as a forum in which the progress of restructuring in the U.S. and Europe can be monitored. But there is a limit to what committees can do. In the end it will be market pressures which will determine what parts of the steel industry survive. Companies should not be encouraged to think that the solution to their problems lies in political intervention.

FRENCH TELECOMMUNICATIONS

The 'wired society' gamble

BY GUY DE JONQUIERES

The French national telecommunications system is beginning to improve dramatically. With about 15m telephones it is still far behind Britain or West Germany. But its late development means that it is able to take advantage of new technology, and in an audacious gamble the French aim to take a decisive lead in Europe by transforming their country into a "wired society" based upon millions of interactive computer terminals. The word télématique has been coined to describe the technological programme which, it is predicted, will produce a far reaching revolution.

FOR GENERATIONS of Frenchmen, their national telecommunications system has been a source of wry humour, recurrent frustration and occasional blind fury. Its manifest inadequacy was crisply encapsulated in the aphorism: "Half of France is waiting for a telephone. The other half is waiting for a dial tone."

But the French connection is starting to improve dramatically. A crash programme to re-equip and expand the network has already succeeded in doubling the number of subscriber lines in the past five years. It is due to double again to 32m lines by 1992, when France expects to have a telephone density equal to any country in the world.

The stifling bureaucracy of the PTT, which manages the system, has been shaken up and its monopoly over equipment supplies relaxed. A wide range of modern receivers can now be bought off the shelf from new "Télé-Boutiques," which can also supply new subscribers with telephone numbers. The installation charge has been almost halved and the PTT claims that the waiting time for a telephone in the Paris area, once months or even years, has been slashed to 17 days.

Cynics say that the programme, one of President Giscard d'Estaing's first big decisions after he took office in 1974, was engineered to help his campaign for re-election next year. But the President and his top officials are also clearly committed to improving telecommunications as a central part of their long-term strategy to boost economic and industrial development.

Unlike the British Government, whose restrictions on Post Office borrowing are squeezing British Telecom's investment plans, the French are spending on a massive scale. PTT outlays in the past five years have totalled $30bn and are set to continue at a high level.

France, with about 15m telephones, is still far behind Britain or Germany. But its late development also means that it

A decisive lead is the aim

is able to take advantage of recent advances in technology. Once the expansion programme is complete, it expects to have more digital lines linked to electronic exchanges using microprocessors than any other European country.

But French ambitions go far beyond just catching up. They aim to seize a decisive lead by transforming the country into a "wired society," whose central nervous system will be a network of millions of interactive computer terminals. In the process, they intend to use generous state support, official guidance and discreet market protection to try to build up a dynamic national electronics industry able to take on all-comers.

It is a gamble of almost Napoleonic audacity, which might be dismissed as a science fiction fantasy if it were not for the authorites' determination to press ahead. It involves taking technologies and products which have barely been tested in practice and introducing them directly into everyday French life, while relying on an industry which has for many years been shielded by its dependence on government from the realities of international competition.

The blueprint is the Nora report, drawn up by two brilliant technocrats on instructions from President Giscard. Published in 1978, it identified a full two years before the study on information technology recently prepared in the British Cabinet Office, the potential implications of the fusion of telecommunications and cheap computer technology.

The authors of the Nora report coined the word *télématique* to describe this technological confluence which, they predicted, would produce a social and economic revolution as far-reaching as that generated by the discovery of the steam engine.

The man charged with harnessing the power of *télématique* is M. Gérard Théry, the youthful Director-General of telecommunications at the PTT Ministry. A passionate advocate of the need to "democratise" information technology by spreading it as widely as possible, he has deliberately modelled his commercial strategy on the Japanese example.

The key to success, he believes, is to create a mass-market at home which will provide a springboard for aggressive international marketing by French industry in the future. Sometimes criticised as an autocrat, M. Théry admits that this may mean forcing the French public to accept new products which they may not necessarily want.

The lynch-pin of his strategy is an ambitious plan to replace printed telephone directories with cheap electronic terminals linked to computerised data banks. The terminals would be supplied free of charge to every telephone subscriber in France by 1992 and could be adapted to receive Télétel, the French equivalent of Britain's Prestel viewdata service, and other computerised information.

The PTT calculates that saving on the cost of printed directories will ultimately pay for the terminals, if these can be supplied at Frs 600 (£60) each or less. This figure (about a tenth of the price of a Prestel set) is attainable, it insists, if manufacturers are guaranteed PTT orders for tens of millions of terminals.

As well as Télétel, France is planning a service called Antiope, similar to the UK's Ceefax/Oracle system of transmitting computer data via television broadcasts. It hopes to stimulate production of inexpensive facsimile machines for home use, which would enable many documents now sent by mail to be transmitted electronically, and is experimenting with inter-communicating word processors.

A nationwide data communications network, designed to move large volumes of information inexpensively by a technique known as packet switching, has been in service since 1978 and has about 2,000 subscribers. A video-conferencing system, enabling businessmen in different parts of the country to see as well as talk to each other, has also been started.

Still more exciting ventures are planned. About 3,000 households in Biarritz are to be wired up to a network of optical fibres, the most advanced type of terrestrial communications system which transmits electronic pulses at high speed in the form of light signals. And in 1983, France will launch a satellite, Télécom 1, which will relay sophisticated business communications services between roof-top dish aerials and provide telephone links with French overseas territories.

Many of these ventures are still only at the project stage, however. Unlike their British equivalents, neither Antiope nor Teletel is yet in public service, and a market trial for the latter is not due to start until next year. Microchips for the special receivers required are said to be in short supply.

"I am not certain that they will be able to deliver everything they have promised," says Mr. William Richards, an investment analyst with the Paris-based Eurofinance. Mr. Malcolm Ross of the Paris office of U.S. management consultants Arthur D. Little, believes that designing the complex programmes needed to make *telematique* work, and providing enough skilled personnel to instal and service the new equipment, present the two biggest challenges.

A key element underlying the development of France's ambitious programmes is the existence of a peculiarly Gallic "old school tie network" at the top levels of Government and industry. Though direct state intervention in the private sector has been curtailed by M. Raymond Barre, the Prime Minister, French managers and technocrats often share the same education, cultural background and philosophical outlook.

These close links have enabled the Government to set the overall priorities to be followed by industry and to designate the companies which *it wants to take the lead in* specific sectors.

Spurred by incentives proffered by the authorities, the French industry is in the midst of a major reorganisation to equip it for the challenges ahead. Long biased towards Government work, especially defence contracts, it is being actively encouraged to broaden its base through diversification and merger.

It is too early to judge the success of this restructuring, though it has produced some mixed results so far. One problem area is the effort by Thomson-CSF to build up telecommunications manufacturing, a business which it entered in the mid-1970s. It is reported to be having difficulty developing a *digital electronic* exchange.

Uncertainty also hangs over CII-Honeywell Bull, France's main computer manufacturer. Effective control of CII was acquired earlier this year by Saint-Gobain-Pont-a-Mousson, the big glass and pipe manufacturer which also owns 23 per cent of Olivetti of Italy. Olivetti recently began marketing in Europe computers made by Hitachi of Japan. These compete with machines in CII's range, some of which were developed in the U.S. by Honeywell, which owns 47 per cent of CII.

Both CII and Honeywell insist that they plan no changes in their relationship. But the increased involvement of Saint Gobain, set against the background of France's efforts to build up an independent electronics industry, has aroused considerable speculation in Paris about the future of the Honeywell link.

France is also seeking to make up lost time in developing *the technology to manufacture* the millions of microchips which it will need in the next few years. State support of FFr 600m has already been promised over four years, and further aid is in the pipeline.

The Government is backing several different horses, in the hope that at least one will prove a winner. As well as aiding chip development by indigenous companies, it is encouraging the creation of joint ventures with U.S. semiconductor manu-

The lesson has been learned

facturers. The Americans are asked to supply the technology while the French put up the money and retain control.

On top of all these challanges, France has set itself one further, crucial, hurdle which it must surmount if it is to create a world market for its electronic products. That is to have French technology accepted as a basis for internationally agreed technical standards.

Failure to achieve this goal robbed the SECAM colour television system, developed by France in the 1960s, of any real export potential. The lesson has been learned and the French are now campaigning hard both in Europe and the U.S., where Antiope is vying with Britain's Ceefax/Oracle to become the American teletext standard. Many more such skirmishes will probably have to be fought before the outcome of the battle is decided.

MAJOR FRENCH ELECTRICAL AND ELECTRONICS COMPANIES

CII-HONEYWELL BULL 1979 sales: Frs 2.6bn. France's biggest computer manufacturer, owned 53 per cent by French interests, 47 per cent by Honeywell of the U.S. Heavily supported until this year by state aid totalling Frs 1.2bn over 5 years. Still recovering from effects of severe world shortage of electronics components last year.

CIT-ALCATEL 1979 sales: Frs 3.8bn. Part of big Compagnie Générale d'Electricité. Outstanding success in telecommunications equipment, claims to have installed 60 per cent of world's digital exchange lines. Now moving rapidly into office products. Recently bought Friden mailing equipment company in U.S. business machines division of Emeo of Britain.

ENGINS MATRA 1979 sales: FFr 2.5bn. Impressive stock market performer, due to rapid growth of defence business which accounts for about half of turnover. Has recently struck out in all directions, acquiring new interests in telecommunications manufacture, watches, instrumentation and motor components. Major contractor for Telecom 1 satellite programme. In joint venture with Harris of U.S. to make microchips in France.

SAINT - GOBAIN - PONT - A-MOUSSON 1979 sales: FFr 35.5bn. Big glass and piping group which has recently diversified into electronics. Owns 51 per cent of Cie des Machines Bull, which controls a majority in CII-Honeywell Bull. Bought 23.3 per cent of Olivetti of Italy earlier this year. Partner with National Semiconductor of U.S. in French chip-making project. Ultimate objective of electronics strategy still unclear.

THOMSON 1979 sales: FFr 30bn. Big electrical and electronics group spanning most industrial, professional and consumer products. Its television manufacturing arm, the biggest in France, has been rapidly expanding through acquisition of tube and set-making concerns in France and Germany. Widely considered to be "in favour" with French Government.

THOMSON-CSF 1979 sales: FFr 18.7bn. Part of Thomson Group, involved in radar, avionics, minicomputers, telecommunications, components and medical electronics. Defence work is 37 per cent of sales and biggest profit-earner. A latecomer to public telecommunications, it is said to be having problems developing a digital exchange but has won part of big Egyptian telecommunications order. Collaborating with Xerox of U.S. in development of advanced computer memory devices.

MEN AND MATTERS

Bankers' banker spreads his net

Stepping one pace forward from the ranks of international bankers gathered in Washington for the International Monetary Fund meeting, comes Deutsche Bank head Dr. Wilfried Guth. From a poll among his peers he has emerged to take the title of "most innovative European banker of the year."

In the last 12 months he has developed a reputation as a sort of private sector central banker, offering enlightened notions on the role of banks, the World Bank and the IMF in the business of recycling petrodollars.

He is glad, he tells me, that the West has resisted pressure to turn the fund into an "inflation machine," providing easy money for the developing countries. Yet, he argues, the IMF still needs to present itself to the poor nations more effectively than at present—to shed the image of a last-ditch lender demanding impossible terms.

"It must concentrate more on the psychology of the user," he says. In Guth's ideal world, skilful, secret diplomacy between the fund and potential borrowers will lead to countries borrowing from the fund on the basis of their own anti-inflation programmes and not according to the dictates of men in dark blue suits in Washington.

Meanwhile, he continues to advocate a "private safety net" to help secure the international banking system against the messy consequences of default by a big borrower. He suggests that the world's major commercial banks should agree to provide cash for one another should any run into funding problems.

Since introducing his notion last June, Guth has taken every opportunity to talk it through with the other big banks. "I remain confused," he admits, "but at a higher level."

"Quite liked Jim's 'Let's not fight, fight and fight again' speech"

Going gnome?

There is, of course, another ghost stalking the corridors around the meetings: that of the Palestine Liberation Organisation. The Swiss delegation, stripped of its official observer status, is especially piqued over certain of the side-effects of this manifestation.

Board president at the Swiss National Bank, Fritz Leutwiler, I hear is said to be beside himself because he has to submit to the indignity and inconvenience of being photographed for a new identity badge for each day of the meeting. There are even rumblings that he is steeling himself to display his displeasure by leaving early in a well-orchestrated huff.

One neat solution offered by a diplomatic old campaigner at these affairs is the suggestion that perhaps all the observers should label themselves "PLO" — Previously Legitimate Observers.

Home thoughts

Running taps, pots left simmering and the cat locked in the airing cupboard — spectres which haunt every traveller—seem of late to be horrors more real than imaginary for finance ministers who aspire to the heights of international financial affairs.

Denis Healey, for example managed only a couple of trips to the chair of the IMF's policy-making interim committee before domestic problems—the 1979 election—unseated him with a resounding thud.

The bogeys reappeared in Washington this week when his successor, Filippo Pandolfi was recalled to Rome on the eve of the key committee meeting to help Francesco Cossiga pick over the rubble of yet another Italian government.

His stand-in, Hannes Androsch, however, had double-checked before he left Austria. Although his acountancy connections had put his political future in doubt until a little while ago, he was believed to have battened down securely enough to see the week's meetings through.

Participants tell me he conducted the committee in crisp, workmanlike manner, adroitly steering members away from taking a view on Italy's housekeeping difficulties, and keeping the seat warm for the unhappy Pandolfi, who, for the time being, keeps his title of chairman.

Twitching

While the Dutch are doubtless well pleased with their happy find in the seasoned Polak, I detect a certain nervousness in another corner of the IMF world, whose curious geography lumps Ghana, Afghanistan, Algeria, Tunisia and Morocco into one supposedly representative group—with Iran at the head.

This group's seat on the Board had been held for some time by one Mr. Amouzegar, highly thought of by the old regime, but standing nowhere in the estimation of the new rulers in Tehran. The difficulty now is that the other members of the group have made it clear to the fund authorities that they will not sit still if the Iranians elect to fill the Board place with, as one official puts it, "a mad mullah."

This seemingly reasonable objection, I am assured, could lead to "vast" technical problems which might even force the fund to re-draw its idiosyncratic map of the financial world. Officials, meanwhile, comfort themselves with the hope that since Tehran has more pressing matters on its mind it might forget all about the IMF for a little while.

Stayer Jacques

From what I have observed from my temporary perch above the assembled heads of the world's financial community in Washington, I should have thought that the attractions of a career in the bureaucracy of the International Monetary Fund were strictly short-term.

Not, however, to Jacques Polak. With the fund since 1947 and long established as its resident economic guru, he retired in January shortly before his 66th birthday. But then he was retained by managing director Jacques de Larosiere to help with work on the substitution account. And when that was consigned to mothballs recently even the tenacious Polak seemed destined to shake the IMF dust from his shoes.

But half a lifetime working for international organisations (he first made his mark with the League of Nations) has taught him a thing or two. Far from preparing his farewell party, he is now set to reappear as an executive director on the fund Board to represent his native Holland in place of Onno Ruding who has moved to the lusher pastures of Amrobank.

Observer

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CHINA

Despite the continued changes in the nation's leadership and a more gradual approach to economic growth, China is nevertheless seeing an increase in its standards of living, while links with the world community are being consolidated.

CHINA'S CHANGING FACES

Hua Guofeng, party chairman and former premier. Deng Xiaoping, party vice chairman and former vice premier. Zhao Ziyang, the newly appointed premier. Wan Li, recently appointed vice premier.

Yang Dezhi, chief of staff. Huang Hua, new vice premier and foreign minister. Zhang Aiping, new vice premier and deputy chief of staff. Yao Yilin, vice premier and new planning minister.

Leaders facing severe tests

By Colina MacDougall

WHEN MAO TSE-TUNG died in 1976, he left behind him a *leadership rent by hatreds.* It was headed by his latest favourite, Hua Guofeng, a near-unknown bureaucrat from *his home province of* Hunan. Four years later, this leadership has all but dissolved, and on its platform stands a group which personifies all the principles of commercial endeavour and intellectual capacity Mao most abhorred.

The remarkable fact about this shift is that it happened without bloodshed, *without turmoil, without* even much obvious fuss. A new leadership has already taken over the government; early next year, at the 12th Congress, the all-important party leadership will probably go through a similar process. A wide range (in the Chinese context) of revolutionary policies are already in hand. The standard of living has risen tangibly, the *economy has changed into a* more liberal gear and links with the global community have consolidated.

Peking's world view of the Soviets as the major threat to peace was uncomfortably confirmed by *the invasion of* Afghanistan. But to Peking's advantage, it brought the U.S. closer and cracked the *previous* American resistance to selling it military equipment. Following U.S. Defence Secretary Harold *Brown's visit to Peking just* after, the administration said it was prepared to sell defence-related equipment, a definition that was sharpened during Chinese Vice-Premier Geng Biao's May visit to the U.S. to purchase "non-lethal" military equipment.

Although some uncertainty clouds the future of Sino-U.S. *relations because of* presidential candidate Ronald Reagan's announcement that, if elected, he would restore official rela*tions with Taiwan, both sides* particularly in the trade sphere continued to tighten links.

Although China was deeply *concerned* at the Soviet invasion of Afghanistan and the continued presence of the Vietnamese in Kampuchea, there was little it could do in its straitened economic circumstances beyond patient diplomacy. The trend was towards consolidation and meetings more frequent and less spectacular than the flying circuses mounted by Deng Xiaoping and Hua to the U.S. and Europe *respectively* in 1979.

Typical of the advance in useful rather than glamorous ways was China's admission to the *World Bank and the IMF.* This has been accompanied by rising foreign trade but above all by innumerable foreign con*tacts—Chinese students going* abroad, foreign offices starting up in Peking, a reopening of Shanghai and other cities to western *business* and new legislation for foreign investment. China has spun a web of relationships in the past four years *from which it would* now be difficult to escape.

Remarkable man

The architect of the new *China, Deng Xiaoping,* is a truly remarkable man who for all his years in the political wilderness had the weight to reverse the slide into chaos surrounding Mao's death, build a new younger leadership and now to retire with his *contemporaries* from the day to day running of government. The new team, headed by Premier Zhao Ziyang, *is made up of men in their* early and middle sixties, vigorous and shrewd, who believe that modernisation needs *some* degree of political liberation besides economic reform.

Mao himself has all but melted *from the scene. As the founding* father of modern China, he will never be dislodged from his position as a great revolutionary. But *all over China his portrait* has come down, his words are discounted. Instead, the slogan is the maxim coined by Deng, "*practice is the sole criterion of* truth." From 1956 on, the Chinese now say, nothing went right. Although they do not *spell it out,* everyone knows the disasters were all Mao's.

The latest adjective applied to Mao and the Gang of Four is "*feudal*," a term drawn from Marxism, but remarkably apt for the atmosphere of court intrigue and arbitrary justice which increasingly shadowed Chinese politics.

Deng also labels the "personality cult" as feudal, an *effort* to protect China in future from the terrors of one-man rule, but also a blow at Hua who in the first years of his leadership aped the Mao style.

When the 12th Party Congress meets next January, both Hua and the principle of one-man leadership seem likely to be in trouble; the chairmanship may become a short-term *revolving post to ensure rule* by committee and the fulfilment of the new retirement policy.

Accompanying these shifts *Deng is revitalising the political* forms of the 1950s. The new debating powers of the National People's Congress, the *separation of party* and government, the limited but new freedom of choice of candidates in elec*tions, reveal some understand*ing of the need to involve the people in decisions.

Deng himself was not notably *a liberal in the 1950s, but* the experience of the Maoist autocracy in the last two decades has convinced both *him* and *many others* that when a handful of people have virtually imperial power, common sense *flies out of the window.*

The significant casualty of the last year has been the so-called "democracy movement," the outbreak of *critical* wallposters and *free-speaking* crowds to read them which started in December 1978. In Peking, they were *last year banished to an obscure* corner of the town and the right to erect them was removed from the constitution *in September.*

Much of the sentiment in the posters was harmless to the leadership, and the underground magazines which circulated in *their wake were often literary,* not political. But with memories of the Cultural Revolution and the inflammatory posters *which accompanied it still fresh,* it panicked. Peking is not unwilling to dispense some reform, but it will do so in *small and measured doses.*

The chief priority is to set the economy right. For this, Peking cannot afford the type of demonstrations that, in Shanghai accompanied the first round of posters. There, unemployed youngsters earlier *despatched to the countryside* returned to their homes, refused to go back to the communes and *in protest held up* the trains. The Chinese leadership is having some success in solving the problem of employment *but* will *not* tolerate disorder.

Recognising the meagre benefits of 31 years of socialism *and the extreme disillusion,* the overt aim of the new policies is to improve living standards. The glittering Seiko shop in Peking is the ultimate in carrots for a weary population.

In the poverty-stricken *minority areas,* particularly Tibet, much socialist doctrine has been abandoned to encourage production at all costs. *Central planning is gradually* being surrendered in favour of a mixed economy—still with the weight towards central *planning,* but with *much* individual activity round the fringes.

Greater freedom

Greater prosperity is bring*ing with it greater freedom,* at the very least a choice between a fresh cabbage in the free market and a wilted one from *the state. The retirement policy* and a new hire-and-fire attitude in industry and Government mean more mobility of labour. *Recently for the first time ever* a furniture company in north east China advertised six managerial jobs in a newspaper. *The new members of staff have* been appointed on a three-year contract.

But the state is tightly *squeezed for funds* and with lack of investment over the next couple of years, productivity may not go up fast enough to support the rise in *living* standards the leadership needs. This *rise is essential for* political reasons, since "ultra-leftists" almost certainly remain in *the mid-levels of the hier*archy. Even the more conventional bureaucrats, perhaps some at the top, question the wisdom of the new freedoms to make money and the implicit promises of tape recorders and *colour TVs. If Deng's policies* cannot deliver, China will be looking for a new saviour.

Major constraints on economic policies still remain. Although the Chinese have instituted new adult education to help fill the gap in expertise created by the Cultural Revolution, the annual university intake has been frozen at around 280,000 for three years—not much for a nation of 1bn.

A huge and *threatening* question mark hangs over the population policy, where increase is to be held at 1 per cent. Horrific *stories* of *blood feuds* and murder have already emerged from villages where abortion policies were brutally enforced. Yet without population control the effects of rising production are *likely* to be immediately dissipated. In Peking, the leaders, no doubt recalling the fall of Mrs. Ghandi on this issue, *are sensitive.* In the villages, cadres still have to learn to persuade, not bully.

The trend to greater participation in world affairs and the *introduction of new ideas* at home seems irreversible. Yet China's history since 1949 does not inspire confidence. Will the absence of Mao make all the difference? And if it does, will consistency and commonsense be enough to make Deng's policies a success?

The answer to that is no, since bureaucratic inertia and the problems themselves are monstrous. One must hope that the resolution and skill that individual Chinese so often display abroad in the teeth of adversity will come to the rescue of the Chinese nation at this testing time.

CONTENTS

Some progress despite complex problems

ECONOMY
COLINA MACDOUGALL

A WAVE of inflation, recession in heavy industry and a disappointing harvest are not good news. Yet many a Chinese official must be thankful that things are not a great deal worse. The money supply and heavy industry are the casualties in China's first effort to get to grips with its years-old problems of inefficient investment going to the wrong industries.

Despite bad weather better pay for the peasants has helped to keep food output up. China is slowly making headway in the long campaign to modernise not just industrial processes but the economic structure and the way managers regard their work.

Although Peking is facing a budget deficit and production of coal, oil and steel has been frozen at roughly the same level for three years (1979-81), the country has taken the first step forward in reorganising industry, raising the standard of living and introducing a new economic system.

Above all, recognition is spreading that China must ditch the Maoist notion that the will to develop is, on its own, enough. The "objective conditions" — the equipment, the organisation, the money, even the weather — must be right.

For decades the pressure in China in the good political times as well as the bad has been towards high production and constant reinvestment, usually in heavy industry. Since the death of Mao the new leaders and the intellectuals who have returned to public life have brought a new sophistication to economic thinking.

The old simple attitudes that prevailed increasingly from the mid-50s onwards—that high steel production was a Good Thing while investment in varied food and pretty clothes was not only a Bad Thing but also wicked — have been rejected.

The true cost of wasteful high production has been recognised. In the first half of this year, said Finance Minister Wang Bingqian at the recent National People's Congress, industrial units made an overall loss of $1bn.

Yet the Chinese have had the sense not to be panicked by some manifestly poor results into changing the basic policies. Since Mao's death they have already made one U-turn, embarking in 1978 on over-ambitious plans which they surrendered early last year (the 1976-85 ten-year plan which Hua formally abandoned at the Congress).

The present leadership believes it has the policies broadly right; with cautious trial and inevitably some error, it hopes to correct the detail and press on with the main outlines. It is now drafting a new ten-year plan for 1981-90.

In the Chinese context, consistency and caution inspire some confidence. As Hua pointed out at the Congress, only one five-year plan (the first) was allowed to run its course without a change of tack.

This confidence is reinforced by Vice-Chairman Deng Xiaoping's evident determination to get the right team to do the job. Besides putting his candidate Zhao Ziyang into the prime-ministerial slot, he has achieved a remarkable shake-up in the economic ministries.

Over the past year the State Planning and Agriculture Commissions and the Oil and Coal Ministries have acquired new ministers. The Finance Ministry has been through two. The Metallurgy Minister was lucky to keep his job after a rough ride at the Congress for planning errors at the new (mainly imported) steel complex at Baoshan near Shanghai.

While there are probably hidden political factors in the shifts, the end-result is a new economic team, and one which knows it is answerable for its actions. The Oil Minister was sacked following the sinking of an offshore rig. Officials must be held accountable for their mistakes, said the Finance Minister at the Congress.

The clue to the present economic situation is the "readjustment" policy announced in February last year. It is this which indicates that while some production results announced at the Congress are worrying, the Chinese are probably on course, though their progress will be delayed.

The essence of readjustment was to cut down capital construction and freeze steel and machinery output, thus liberating funds to improve agriculture and light industry which benefit the consumer. Some of these funds were to go directly into the people's pockets as higher payments for crops or as increased wages, to provide an immediate stimulus to a depressed workforce and an instant market for a new flow of goods. At the same time, it was thought, greater efficiency and less waste would partly cancel the effects of the freeze since the utilisation rate of fuel and raw materials would be higher.

Accompanying readjustment there was to be a "restructuring," a revolution in the way the economy was run. The nub of the policy was to devolve wherever possible decision-making power to the local administrations and individual factories, so as to encourage efficiency and profit-making. Last year, declared Planning Minister Yao Yilin at the Congress, 6,600 enterprises had ex- these powers. In Sichuan province the selected plants increased their profits by a third.

The restructuring involves a new tax system which this year will be introduced for joint ventures with foreigners but next year will be widely applied to wholly owned Chinese enterprises. This will include experiments with a value added tax and a corporate income tax to replace the present system where factories virtually surrender all their profits. Skilful management of the new taxes will be needed to claw back excess profits in some industries, and China will have to tackle the unfair price system under which some industries virtually cannot make a profit.

By and large the readjustment and restructuring have so far been a success. The responsiveness of light industry to the new policies has helped. This sector, particularly in items like watches, radios and TVs which have been the dream of many a Chinese for years, has boosted output substantially. It averaged a rise of nearly 10 per cent last year and a further quarter in this year up to July. Impressively, retail sales went up last year by nearly 15 per cent.

Even agriculture, though facing calamitous weather this year, has performed well over the last three years. Grain output this year will not reach last year's record but it will still be far above the figures of the mid-70s (around 285m tonnes in 1975-76). Output of other foods and cash crops has risen impressively. This is undoubtedly the fruit of last year's higher payments to the peasants and the new freedoms to grow the crops of their choice.

Yet the net result of the higher payments and wages was a marked degree of inflation, at a rate thought to be around 8 per cent. Not only did prices rise on the free markets; some producers illegally charged whatever they could get. The State Council forbade price rises in the spring and rocketing light industry output helped to mop up spending power, but the budget deficit of about $11bn was clearly bigger than Peking had bargained for.

To cope with this, the Finance Minister said China would reduce the deficit over the next two years. This will probably mean a delay in resuming growth even when "readjustment" is completed. No matter how sobering it may be to realise that China plans little or no expansion in oil, coal or steel over the next 18 months and probably some time beyond, there is still much room for economy.

Improved technology, the Planning Minister said, should be used to reduce energy waste.

The one area of real difficulty is probably the oil industry, because of its value as an export. No rise here is likely for several years because of lack of investment in the mid-70s, and savings are more difficult because it is a relatively modern industry. The big measure to reduce consumption will be the conversion of oil-burning power stations to coal.

Chinese officials have been franker than ever this year about their problems. Higher hurdles are ahead, as they try to implement unrehearsed and complex measures. Underlying all the difficulties is the threat from a still-growing population. But they have made a convincing start on the long road to modernisation.

ECONOMIC INDICATORS

	1981*	1980*	1979	1978
	Per cent growth in gross value			
Combined industrial and agricultural output	5.5	5.5	8.5	12.3
Industrial output	6.0	6.0	8.5	13.5
Agricultural output	4.0	3.8	8.6	8.9
	Production by volume			
Coal (m tonnes)	620	610	635	618
Oil (m tonnes)	106	106	106	104
Steel (m tonnes)	35	35	34	31
Grain (m tonnes)	342	332	332	304
Electricity (m kW)	312	300	282	256

*Planned
Compiled from official Chinese news releases

New-look leadership

POLITICS
TONY WALKER

CHINA GOES into the 1980s with a new-look leadership that promises a more dynamic government than perhaps at any time since the first flush of revolutionary achievement in the early 1950s.

While it would be surprising if there were ever to be a complete absence of factionalism in China, the leadership to emerge from last month's National People's Congress (NPC) gave the appearance of being genuinely at one over the policies now being implemented. It is also possible to say the men who have been appointed to high State office are demonstrably capable of doing the job. This has not always been the case in the history of the Republic.

That the re-structuring of the leadership has apparently been carried out without causing bitter division suggests it has a good chance of surviving the decade. China's new rulers, led by Deng Xiaoping through his proteges in the State and Party apparatuses, also appear to have that quality of daring necessary if the quite radical changes being proposed are to be carried through.

Zhao Ziyang, the new Premier, Wan Li, executive Vice-Premier and Hu Yaobang, General Secretary of the Chinese Communist Party Central Committee are men in their sixties who should be around long enough to ensure Deng's policies continue beyond the mid-1980s, when he himself will be in his eighties and will presumably retire.

The changes adopted by the NPC leave a question mark over Party Chairman Hua Guofeng, certainly in meritocratic party structure now emerging. Hua does not appear to have put his stamp on the leadership. His loss of the premiership has been represented as part of a move to divide Party and State functions. Hua, however, comes out of the recent Congress with his authority diminished. It was further undermined in mid-September when the People's Daily argued that leaders should be decided by election not (like Hua) by nomination, they should be dismissed if inefficient, and such dismissals should not be seen as threatening stability.

If the Chairman has a power base it is in the middle ranks of the Party and in the army. It is the military that could provide the post-Mao leadership with the most serious challenge to its authority. The People's Liberation Army by its very nature is likely to be less enthusiastic about the Rightist reforms now being implemented and even less so if they do not result in a better deal for the military.

One danger is that it will take some time for the army's expectations to be realised as many of their requirements for new equipment are now out of the question because of the financial squeeze. Keeping the politically powerful military onside will be an important task for Zhao Ziyang and his colleagues.

This year has seen a clean-out from high Party and State office of the remnants of the so-called "whateverist" faction in the leadership — those who subscribed to the view that whatever Mao said was right.

Mao loyalists Wang Dongxing and Ji Dengkui were dumped from the Politburo at the February plenum of the Communist Party Central Committee. Also ousted was Wu De, the former mayor of Peking, who had been accused in wall-posters of gross personal extravagance. A casualty of the recent NPC was Chen Yonggui, the model peasant appointed by Mao to the Politburo. Chen lost his vice-premiership at the Congress and is unlikely to retain his position in the Politburo.

The Chinese leadership is now a very different creature from what it has been during most of the past 30 years. The appointment of Zhao Ziyang as Premier marks an essential break with the past. More than a generation divides his approach from that of his predecessor. Technocrats and those with special skills to contribute can be expected to play an increasing role in the business of goverment.

One of the new Premier's most important tasks will be to attack bureaucratic inertia. He can be expected to have little patience with officials who follow the normal Chinese bureaucratic practice which is to say "no" first. Zhao achieved remarkable results in Sichuan by using innovative methods to overcome practical difficulties. This problem-solving approach is anathema to legions of Chinese bureaucrats whose heads have been filled with Maoist dogma over the years as a substitute for rational thought.

In the Party, as in the State apparatus, a similar spring cleaning is under way with a review by the increasingly powerful Central Committee secretariat of the membership of many of the country's 40m Party members. The aim of this review is to weed out those not considered to have credentials for membership — whatever those credentials might be. There is no doubt the millions admitted to the Party during the Cultural Revolution will come under the closest scrutiny.

Of perhaps most symbolic importance this year as far as reform of the party and State apparatuses now being undertaken is concerned was the posthumous rehabilitation of Liu Shaoqi, the former Head of State, who was hounded from office during the cultural revolution to die a miserable death in 1969. Many of the reforms now being implemented reflect his views, though under the guiding hand of Deng Xiaoping they have perhaps been taken further than Liu could possibly have expected.

In the politics of China today it is possible to say the Dengists have firm control of the Party and State apparatuses, but some doubt remains about the army's loyalty to the new leadership. Curious cross-currents have been evident involving senior army men, notably Xu Shiyou, former commander of the Guangdong military region, who is rumoured to have been angered because he was not not made Chief of the General Staff. There has been speculation that General Xu has fallen out with Deng, an old comrade and former close ally.

Xu Shiyou, who had not been sighted for some time, turned up at the recent NPC. He made a speech pointedly calling for closer co-operation between the army and the Government. There have been hints of dissatisfaction among other senior military men at the pace of change in China and the attacks on Mao. But little has appeared publicly to substantiate these rumours.

It would not be surprising if the army were to prove less enthusiastic about the de-Maoisation campaign now in full swing than the Dengists. It has long been assumed, in fact, that Marshal Ye Jianying, ranked No. 2 in the Communist Party and representative of old guard views, has blocked even more pointed attacks on Mao.

Ye, now in his 80s, retains close links with the military. If Hua has a patron then it is Ye Jianying, who demonstrated his staying power by hanging on to the chairmanship of the National People's Congress Standing Committee, the closest thing China has to a Head of State, despite the retirement of Deng Xiaoping and Li Xiannian from their State positions. Some observers regarded this as a significant act of defiance by the old man, who had to be helped to his seat at the NPC by a retinue of para-medical staff.

If there is an issue that divides the Dengists and those less enthusiastic about what is happening in China it is how far to go in criticism of Mao. It has been noticeable that Party Secretary Hu Yaobang and Deng himself have been more adventurous than Hua in their criticism of the dead chairman.

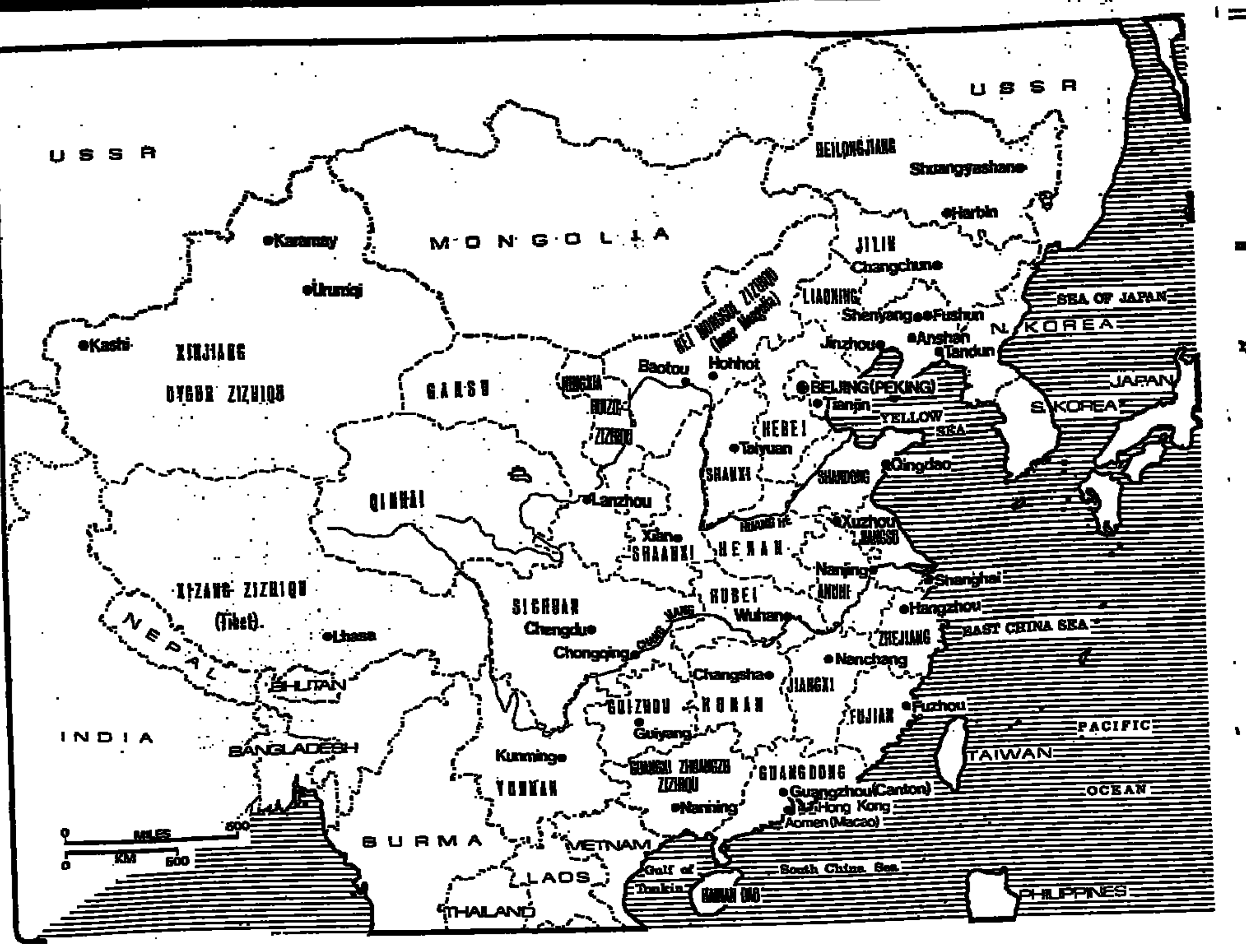
Hua Guofeng is of course in an invidious position because if he is too critical of Mao he is in danger of further undermining his claim to the leadership because it was Mao, after all, who endorsed his succession with the words: "With you in charge I am at ease."

The suggestion implicit in some of the criticisms that Mao somehow took leave of his senses in the last years of his life cannot be regarded as a ringing endorsement of Hua's succession to the chairmanship. None the less, it would be a bold move to predict Hua's imminent demise. His connections in the party run deeper than perhaps is generally realised. Hua is also no doubt a shrewder politician than he is sometimes given credit for. He is also a survivor and survivors have a habit of surviving, even if it is, as is the case at the moment, in a secondary role.

Firm but fair dealings with foreigners

JOINT VENTURES

PHILIP BOWRING



THE MESHING of free market and socialist economic systems is a difficult task at the best of times. So it is not surprising that there should have been delays and frustrations on the way from China's announcement that it welcomed joint ventures with foreign companies, to the evolution of a framework within which such deals could be negotiated and carried through.

In China's case, the problems have been made all the more difficult by the fact that the domestic economic system has itself been under close scrutiny. China has been changing its internal attitude to pricing, distribution of available capital resources, and taxation and has to put companies into a framework which is readily compatible with the new economic system. To make matters more difficult, the scattering of expertise during the Cultural Revolution has slowed the pace of development in this area.

But if the formal structure has been slow in the making, plenty has been happening on an ad hoc basis. Developments range from natural resources deals with U.S. companies, to major assembly operations by big Japanese companies, and myriad small ventures in Guangdong and Fujian provinces.

(These two provinces are treated separately by China as far as foreign ventures are concerned, as Guangdong is the hinterland of Hong Kong and Fujian, the "home" province for the largest group of overseas Chinese in South-East Asia. The two provinces have greater freedom than other provinces to enter into foreign deals and they are also the sites for the three "Special Economic Zones" for export processing announced so far.)

The deals so far made with foreign companies are based on very general concepts of mutual trust and mutual advantage. It has been a remarkably successful way of doing business. But this success has come about essentially because both sides have been enjoying the novelty, with China anxious to get ahead, and foreigners anxious to get a foot in the door.

However, it is not necessarily a satisfactory long-term way of doing business, even with overseas Chinese or Japanese, who are more accustomed than legalistic Westerners to verbal agreements and the case-by-case negotiation of specific problems which crop up in any business relationship.

It is easy to see what constitutes "mutual advantage" at the start of a venture, but this may become less clear if markets change or relative prices shift. For this reason, most foreign enterprise in China has so far involved little capital investment in plant and machinery.

Most of this activity falls under the general heading of "compensation trade," in which the foreign firm or individual entrepreneur receives a portion of the output in return for his provision of capital equipment, expertise and markets. Alternatively, compensation trade may be no more than a form of sub-contracting. An establishment in China will undertake to carry out, often under the supervision of the foreigner, an assembly or manufacturing process for an agreed fee, with the foreigner supplying all or part of the materials required.

In the case where the foreigner supplies some fixed capital, the processing fee will be set a point aimed to provide him with a "fair" return over a given period. ("Foreigner" in this context means anyone who is not a citizen of the people's Republic. It includes people from Hong Kong and Macao, who are designated "compatriots" in Chinese jargon, and also overseas Chinese. Official China is doggedly racist. Persons of Chinese ethnic origin, whatever their nationality, are treated differently from the rest of mankind.)

In business and investment, this differentiation tends to favour the ethnic Chinese firms. U.S. and European firms sometimes see an advantage in sending their own nationals of Chinese origin to deal with China, even in cases where they do not have any obvious practical assets such as Chinese language ability.

"Compensation trading" is working remarkably well, especially with Hong Kong

Compensation trading has worked remarkably well so far, particularly with Hong Kong. China has become a valuable source of low-cost labour to complement Hong Kong's own textile and electronics industries. However, the more advanced the industry, the more the capital involved, the more the amount of foreign supervision required, and the greater the need for back-up services—ranging from computer experts to insurers—the more difficult it becomes to conduct business on the kind of informal, sketchy agreements that characterise most of the deals involving Hong Kong and overseas Chinese in Guangdong and Fujian.

The centre for this activity is mostly Shenzhen, the municipality just across the border from Hong Kong. Shenzhen has acquired a unique status, and people from Hong Kong can cross the border into the municipality without going through the normal procedures. This allows factory operators, truck drivers and others to come and go as they need. In future there will also be substantial movement in the opposite direction.

Middle-income housing for sales (to Hong Kong or ethnic Chinese but not to other foreigners) is being built on a joint venture basis between Shenzhen authorities and Hong Kong developers and will result in some commuting from China into Hong Kong. So far projects involving more than 1,000 flats are under way.

There are currently more than 70 manufacturing operations in the Shenzhen Industrial Zone, though most are small and carry out simple operations.

More ambitious is the nearby Shekou Special Economic Zone, where the China-owned, Hong Kong-based China Merchants Steam Navigation Company is developing a large site for heavier industries such as steel-rolling.

Generally, the law on joint ventures, published in July 1979, is vague on the labour issue, merely saying that procedures for hiring and firing should be stipulated in joint venture agreements. Indeed, the joint venture law is vague on most things. But for all its weaknesses in legal terms, it does provide a reasonable starting point for individual agreement.

Key points in the legislation stipulate that:

● Foreign participation shall normally be not less than 25 per cent and risk will be shared in proportion to equity contribution, which may be in cash, machinery, property or otherwise. Joint ventures will be limited liability companies.

● The chairman of a joint venture must be a Chinese. On difficult issues, the board must reach its decisions "through consultation by the participation on the principle of equality and mutual benefit."

● Reductions or exemptions from taxation are available under certain circumstances.

● Products of a joint venture "may" be sold in China, but a joint venture is "encouraged to market its products outside China."

● Profits and salaries of foreign workers may be remitted overseas, but "a foreign participant shall receive encouragements for depositing in the Bank of China any part of the foreign exchange which he is entitled to remit abroad."

● The technology and equipment contributed by the foreign party must be "truly advanced and appropriate to China's needs" and compensation must be paid for losses caused by "provision of outdated equipment." This is a rather ambiguous clause, as the most modern technology may not be the most appropriate to China's needs. But it shows China's concern not to be taken for a ride, or have its industrial inexperience exploited.

● All joint venture agreements must be approved by the Foreign Investment Commission of the People's Republic.

This last requirement is not quite the formality it may first appear. Experience to date has shown that the Commission is a careful scrutiniser. Without being unhelpful, it has insisted on changes in some details of agreements.

Another snag has been taxation. Until the recent meeting of the National People's Congress it had been unclear exactly what tax joint ventures would have to pay. Now this has been set at 33 per cent. In addition, remitted profits face a 10 per cent withholding tax.

There are also provisions for "tax holidays." For a venture of ten years or more, the first profit year is exempt from tax and the second and third years receive a 50 per cent tax reduction. A company reinvesting its profit for five years is entitled to a 40 per cent tax refund, and there are also incentives for investment in remote areas. Losses may be carried forward for five years. Foreigners will have to pay income tax, with a top rate of 45 per cent.

Foreign enterprise in China has so far involved little capital investment in plant.

Though much has been made of the tax question, for most companies the more important issues when dealing with a structured economy like China's are the determnation of input prices, wage-rates and other variables.

For joint ventures the going may not always be easy. But so long as China wants foreign investment, in whatever form, it will likely be firm but fair in its dealings with foreigners.

Essentially China's aim in allowing the foreign capitalists to return is twofold. First, it wants to use China's cheap labour to earn foreign exchange to speed modernisation. That is the motivation behind the simple assembly-type operations, which are mostly export-orientated. Even the few that sell to the in-quantity local market are expected to earn sufficient from exports to pay for imported components.

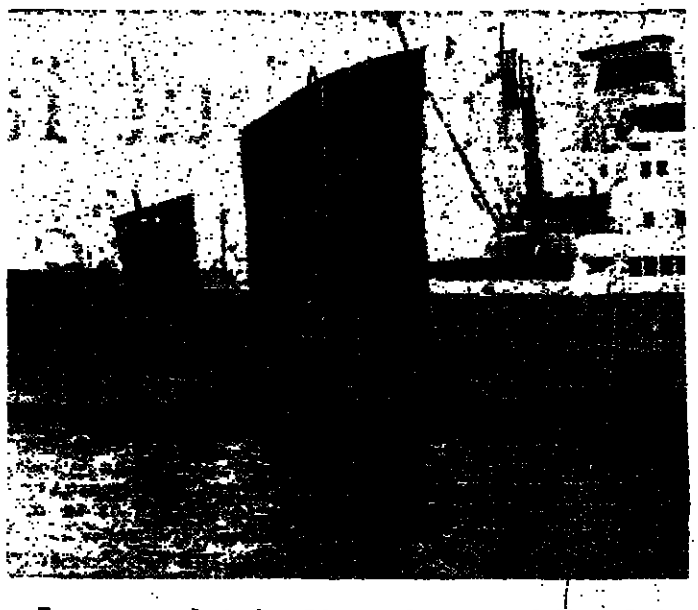
And second, China wants to assist the transfer of technology and the broadening of the industrial base. One of the first joint venture agreements signed was with Schindler of Switzerland, to manufacture lifts. It involves investment of $16m, 25 per cent of which is provided by the foreign partners. The product will be sold outside China.

Though not on a massive scale, the Schindler deal may be typical of things to come. It illustrates that China is determined not only to get hold of foreign investment and expertise, but to make sure that the foreign exchange costs—capital equipment imports, remittances of profits etc.—are more than paid for by exports.

To help speed the inflow of foreign technology, the Beijing Government has established a special company to enter into deals with foreigners, which acts as a joint venture partner or as an intermediary between foreigners and Chinese corporations and Government departments. Known as the China International Trust and Investment Corporation, it is headed by Mr. Rong Yiren.

Characteristic of the new pragmatic China, Mr. Rong was a big capitalist in pre-Communist China and exiled himself to the U.S. Now both Western and national capitalists are welcome in China.

Growth at a more measured pace



Sampans and cargo ship at the port of Shanghai

THIS YEAR seems likely to be viewed in retrospect as a year of transition for China's foreign trade, just as it has been a year of transition in domestic politics. After two years of exuberant importing, sparked off by the modernisation programmes announced in 1978, the Chinese have been making visible efforts to prune their purchases of plant and of industrial raw materials from their non-Communist trading partners. Meanwhile conditions also seem to have deteriorated for some of China's own manufactured goods exports; access to Western markets for Chinese textiles seems, for example, to have grown more difficult with the onset of recession in Europe and the U.S.

A compensating factor has been the rapid increase in international oil prices with its very marked impact on China's earnings from Japan (by far the leading market for oil exports). But any consolation derived from high oil prices has to be set against the fact that China's exportable oil surplus is now showing signs of drying up. This seems likely to continue until supplies become available from the newly developed on- and off-shore fields in the latter half of the 1980s.

In purely statistical terms 1979 can be seen as a boom year for China's foreign trade, in both directions. Exports, according to a compilation by the Japan External Trade Organisation based on the figures of 34 leading trade partners, appear to have grown by 32 to 35 per cent to a new record of between \$13.2bn and \$13.5bn (putting China in roughly the same league as an exporter as non-Communist "new industrial countries" such as South Korea and Taiwan).

Imports, meanwhile, scored a spectacular 37 to 39 per cent rise, and totalled between \$15.3bn and \$15.5bn. Shipments of heavy machinery seem to have played a large part in the import surge. But China was also a major importer of steel in the first half of the year and of food grains from the U.S. and other non-Communist agricultural exporters.

The \$2bn deficit which China incurred on its visible trade in 1979 was less than originally forecast by Peking's economic planners, apparently because earnings from oil were higher than had been expected. However, the gap was still twice that for the previous year and was probably too large to be sustained for very long, despite China's new-found ability to borrow on foreign money markets.

Cutting the deficit down to size would seem to have been one objective of China's 1980 foreign trade plan. Reduced purchases of steel (particularly from Japan) and a lull in the signing of contracts for plant have certainly been marked features of the year to date. The off-season for plant contracts can also be explained, however, in terms of China's internal economic rationalisation programme which has called for a slowdown in the development of large scale industry to allow time for agriculture to catch up. Similarly, the decline in steel imports may reflect serious overstocking in the past.

The impact of China's go-slow policy for imports is clearly apparent in the figures for trade with Japan (still the People's Republic's largest trade partner with a 25 per cent share in its global two-way trade). In the first six months of 1979, when steel exports were still booming, Japan registered a trade surplus of \$766m on its China trade and China ranked fourth among overseas markets for Japanese goods. In the corresponding period this year the deficit has been cut back to less than \$100m as China's imports shrank while its exports continued to grow rapidly on the strength of higher oil prices.

Of the three traditional pillars of Japanese exports to China, two—steel and chemical fertilisers—have shown sharp contraction so far this year. The third item, plant and machinery, has remained strong as Japanese companies have continued to ship out machinery for the multi-billion dollar Baoshan steel complex, for which Nippon Steel Corporation is the principal contractor. Shipments for Baoshan, however, are expected to peak in the first half of next year and thereafter to decline steeply as Stage 1 of the project nears completion. Apart from negotiations for Stage 2, and for a single isolated hydrogen plant which China may decide not to buy after all, there were no other negotiations on plant exports underway between Japan and China as of mid-September last.

TRADE
CHARLES SMITH

Uncertainty about the future make-up of Japan's exports to China (which is paralleled by similar uncertainties among Western exporters of plant and machinery) has its counterpart in doubts about the future of China's biggest single export commodity—oil. Under the terms of the eight-year \$20bn bilateral trade agreement which it signed with Japan in February, 1978, China committed itself to increase its oil shipments to Japan from 7m tonnes (in 1978) to 15m tonnes in 1982, with further unspecified increases from then until 1985.

This grand design was shattered at the beginning of September when a delegation of senior Japanese businessmen was told that China actually expected to ship only 8.3m tonnes of oil in 1981 and 1982 because of "unforeseen" difficulties in raising production and continuing increase in domestic demand.

The revised figure projected for 1982 means that China will earn approximately \$2bn less from its oil shipments to Japan (at 1980 prices) than it would have earned if the targets spelt out in the 1978 agreement had been adhered to. What will happen after 1982 is not yet known, but oil from China's new offshore fields is not expected to be available until 1985 at the earliest.

Constraints on oil exports and the current lull in plant orders do not mean that China's foreign trade is about to collapse, but they could mean that growth in the early 1980s will be less spectacular than in the past few years of the seventies.

It also seems likely that the main growth areas of trade with Western industrial countries could be different from those which have recently been attracting most attention. Coal could apparently take over from oil, at least for some years, as the main Chinese resource export (given offers by Peking to provide Japan with 10m tonnes of coal in 1985 and 20m tonnes in 1980). At the same time a rapidly growing role is emerging for regional trade.

Until the beginning of 1980 all of China's foreign trade was conducted through the 12 State trading corporations based in Peking but in January the provinces of Fujian and Guangdong were given permission to start trading directly with the outside world (using locally generated sources of foreign exchange). Shanghai and Tianjin were quick to acquire similar rights and in July the north-eastern province of Liaoning began to invite foreign businessmen to discuss direct trade deals.

The foreign trade autonomy of provinces is limited by the fact that the central government still holds most of the country's foreign exchange reserves and that authority to deal in certain key products (including oil) is still reserved to the centre.

If trade through the provinces holds one avenue for the future growth of China's international trade, another seems likely to be via the spread of joint enterprises between Chinese and overseas capitalist investors. Most of such ventures seem likely to be export-orientated and many may take the form of the processing and re-export of materials shipped into the country from outside.

Joint ventures, however, have not as yet come into existence at the rate that the Chinese themselves seem to have hoped when they published their law on Joint Ventures Using Chinese and Foreign Investment in July 1979.

A final reason why China's foreign trade seems bound to go on expanding is that Peking has broadened its attitude towards overseas financing. After many years of rejecting any kind of international financial liability apart from deferred payments on plant imports China became a borrower on international money markets in 1979 and, at the very end of last year, a recipient of government aid (from Japan) on "soft" terms. Japan's aid, which began with a Y50bn loan for infrastructure development, is likely to become a permanent arrangement between the two countries and will no doubt be followed by other similar types of financing.

Support for the small man

WANG JILONG is doing his bit to brighten the fashion scene in Peking. A 53-year-old skilled knitter who had been away from his trade for years, he was recently encouraged to set up a new business making sweaters to customers' orders. He borrowed \$334 from his friendly neighbourhood branch of the People's Bank of China, bought a knitting machine and now earns about \$165 a month making sweaters—\$94 after tax, a healthy income for one resident in Peking and more than adequate even when spread over a family.

Sponsoring small businesses is a new role for the People's Bank. It is part of the new, and much wider policy of using the banking system to aid the running of the economy. The banks have been given a three-pronged role—to stimulate productivity, to control the wasteful spending of State funds especially in heavy industry, and to take money out of circulation. Increasingly the post-Mao leadership is trying to stand back from the economy to allow business instincts and market forces to act as a spur to output. This has meant prodding the banks into manipulating the flow of funds.

In the 1950s China's banking system operated in this positive way until the radical thinking of the Cultural Revolution condemned all commercial practices as bourgeois. A spokesman for the bank branch which gave Mr. Wang his loan said it was the first time they had done anything like it since 1956.

Private enterprise like Mr. Wang's is of course a small part of the People's Bank's main activity. Its chief function, apart from handling the accounts of the many thousands of enterprises in China, is to channel much larger funds towards much bigger businesses.

In the past the source of these funds has been grants from the State budget, but for the past year or so the leadership has been trying out a limited loans-only scheme, so as in due course to replace the grants altogether. The point is to oblige factories to use the money responsibly. The new system will be combined with an all-round devolution of power so that factory managers will in future be freer to shop around for raw materials and customers, will keep more of their profits and pay heavier taxes.

The Finance Minister, Wang Bingqiang, said at the recent National People's Congress, that as from this year State-run enterprises which use working capital allocated by the State will have to pay interest, and from next year they will have to pay interest on fixed capital and borrowed investment capital.

Mr. Wang Jilong's knitting business is typical of the kind to which the Bank has said it will give priority. Light and textile industries, especially those that need small investment and yield quick returns, are a top priority. The Bank disbursed \$1.4bn in loans to light industry earlier this year, and another \$1.4bn is in the pipeline for later in 1980. In Guangxi in south China the People's Bank is giving loans to the tune of \$850m to the local tourist industry to improve hotels and supply pleasure boats.

Joint ventures with foreigners are getting top priority from the Construction Bank, in line with a decision in December last year. This bank, abolished in the Cultural Revolution, was reconstituted early in 1979.

The other vital activity of the People's Bank in the present financial situation is taking money out of circulation. China had a budget deficit last year of over \$11bn, some 15 per cent up on planned expenditure. Nearly half of this went in some way or other directly into people's pockets.

To meet the budget deficit, Finance Minister Wang said, the Government drew on the surplus of past years to the sum of \$5.3bn and borrowed a further \$6bn from the People's Bank. An important reason, he said, for the low rate of inflation (which, however, he did not specify) was that personal savings rose by \$6.5bn. Deposits by factories and organisations also rose by over \$5bn. In the first half of this year individual savings rose again by nearly \$4bn, over \$650m more than in the corresponding period of 1979.

BANKING
COLINA MACDOUGALL

While the more plentiful supply of food and consumer goods like Mr. Wang's sweaters mopped up some of the increase in the money supply, obviously the ability of the bank to attract deposits was important. In April last China had 100m savings bank depositors in urban areas alone. By July the number had risen to 120m. Savings last year totalled \$18bn. Some banks reportedly had to work longer hours or open new branches to cope with the rush of work.

A rise in interest rates for the second year running was an important factor in attracting savings. On April 1 last new scales came into operation ranging between 0.36 per cent a month on six-month deposits (up from 0.3 per cent) to 0.57 per cent a month for five years (up from 0.42 per cent).

To improve control, the organisation of the banking system has been strengthened. From last spring the People's Bank, which provides short-term loans, was to supervise the Construction Bank whose job it is to provide new investment capital.

The People's Bank was also deputed to oversee the Agricultural Bank, restored like the Construction Bank in 1979, and the General Administration of Exchange Control, which handles foreign exchange. The Finance Minister criticised the lack of control last year over currency, both domestic and foreign, in his speech to the Congress. This the leadership is now trying to improve.

On the international scene, China has remained a cautious borrower. Although by early this year it had completed arrangements for credits worth a total of about \$26bn, few of these have been drawn down. Finance Minister Wang said at the Congress that the total foreign debt by the end of 1980 would be only \$3.4bn.

Peking finally joined the International Monetary Fund and the World Bank last spring, and it was thought likely that the prospect of cheap development loans from these organisations had lessened its interest in the commercial and government credit it had arranged in the West and Japan. However, the Finance Minister's Congress speech made it clear that much borrowing was unlikely because of China's tight financial situation and reluctance to get into heavy debt.

Serious deficiencies exposed

IN MAY this year, China fired two intercontinental ballistic missiles into the Pacific in a successful demonstration of its ability to deliver nuclear warheads over long distances. The experiment was something of a triumph for the Chinese defence industry and proof that in certain areas the country's industrial capabilities are on a par with those of developed countries. There are few products Chinese industry cannot produce in its own time and own way.

The problem for China lies in co-ordinating and balancing its industrial activities. The modernisation drive has pointed up serious deficiencies in some areas, notably the relationship between power generation and industrial capacity. It has also exposed severe weaknesses in China's transport system.

The Wuhan steelworks — recently renovated at a cost if some $500m — is a prime example of problems caused by power shortages. Wuhan is still operating at less than 50 per cent capacity, a year or so after the renovation was completed, because of inadequate planning before new and expensive imported equipment was installed.

At the Chengdu seamless steel tube-making plant in Sichuan province, a warehouse was packed with pipes when I visited the factory in the middle of the year. A manager said the pipes had been sold but there was a long delivery time because of difficulties with the transport system. This is a recurring theme throughout China. Particularly severe bottlenecks are experienced in movement of goods from North to South because the rail system is committed to transporting large shipments of coal.

Another example of the rather too hasty commitments made at the onset of the modernisation drive is Baoshan, the giant integrated steelworks on the outskirts of Shanghai. The project is soaking up scarce foreign exchange, yet under the readjustment programme instituted at the beginning of last year would probably not be regarded now as of absolutely pressing importance. There seems little doubt the $5bn steelworks is distorting modernisation priorities.

INDUSTRY
TONY WALKER

The cost of Baoshan and problems associated with its construction was a hot topic at the recent National People's Congress in Peking, with one deputy accusing the Government of withholding facts about this hugely expensive project. It would be surprising if the authorities were not embarrassed by the difficulties associated with Baoshan, not least whether China needs such a sophisticated steel works at the present stage of its modernisation programme.

The main element of the readjustment programme was the decision to re-direct the emphasis of China's modernisation effort away from heavy industry to light industry and agriculture. This was done because light industry requires less investment, it can be built-up quickly and offers better export prospects.

China's efforts to achieve quick results in the light industrial sector appear to be paying off. Yao Yilin in charge of the State Planning Commission, told the NPC that the gross output value of light industry increased by 9.6 per cent last year, and by 24.3 per cent in the first half of this year compared with the same period last year. The latter reflects the shift in priorities.

"Both increases eclipsed those in heavy industry," he said. Gross output value for heavy industry last year increased by 7.7 per cent, and by 6 per cent in the first half of this year. The priority given to light industry, which produces goods for export and for an increasingly demanding Chinese consumer, is likely to last through the mid-1980s. It will probably endure at least until China's foreign exchange position strengthens and the country is again able to resume investment on any sort of scale in advanced technology for heavy industry.

Chinese industry, both light and heavy, is in for a lively few years as a result of management reforms announced at the NPC. Greater autonomy for individual enterprises will no doubt bring with it teething problems. The new Premier, Zhao Ziyang, referred to such difficulties in an important speech to a provincial party meeting in Sichuan province earlier this year.

Zhao complained of duplication and waste as enterprises entered into competition with each other. There were also difficulties with "irrational" pricing policies as factories emerged from the old system, where the State exercised rigid control over production, distribution and marketing.

Yao Yilin, in his report to the NPC, said the new management methods, with emphasis on greater worker participation and the payment of bonuses, had been tried in some 6,600 factories. These accounted for 45 per cent of the gross output value of all State-run industrial enterprises. As an example of the success of the new approach to industrial management, Yao referred to Shanghai's textile enterprises, which had increased the value of output by about 14 per cent in the first half of the year.

Under the new management scheme (which has been operating on an experimental basis for the past year or so), individual enterprises in some areas are allowed to retain up to about 40 per cent of profits. These profits are either distributed as bonuses or ploughed back into new plant and equipment.

If the figures for increased production in Sichuan — the crucible of China's industrial management reforms — are reliable, the new methods are proving successful. Chengdu's seamless steel plant is one of 300 enterprises in Sichuan which have been given the flexibility to manage their own affairs.

Last year production and profits jumped by about 30 per cent, and output was well up on the State planning quota. The factory management say the new methods are working. Provided the figures are accurate, they have reason to be satisfied with the year's effort.

The People's Daily on January 21 this year gave a clear exposition of the approach economic planners would take to industrial reconstruction.

"China will re-orientate its industrial investment policy by investing less in the construction of new plant and factories, but more in the renovation of old enterprises and equipment, and in the process place emphasis on the import of key industrial equipment and technical patents rather than complete sets of equipment," it said.

The article pointed out that the transformation of existing enterprises required two-thirds less funds and 60 per cent less equipment and materials than the construction of new plants, taking less time and achieving better results in some cases. How this figure was arrived at was not explained by the People's Daily.

The newspaper said that while attention should long ago have been paid to the transformation of old enterprises, the 1970s, however, have seen investment in new plants being maintained at over half the total of capital construction investment. It was even on the rise in certain periods.

"The construction of new enterprises has developed into something of a mania in the nation: attention has not been paid to the full utilisation of newly-added equipment after the completion of projects, but instead to the construction of further new ones," the People's Daily commented acidly.

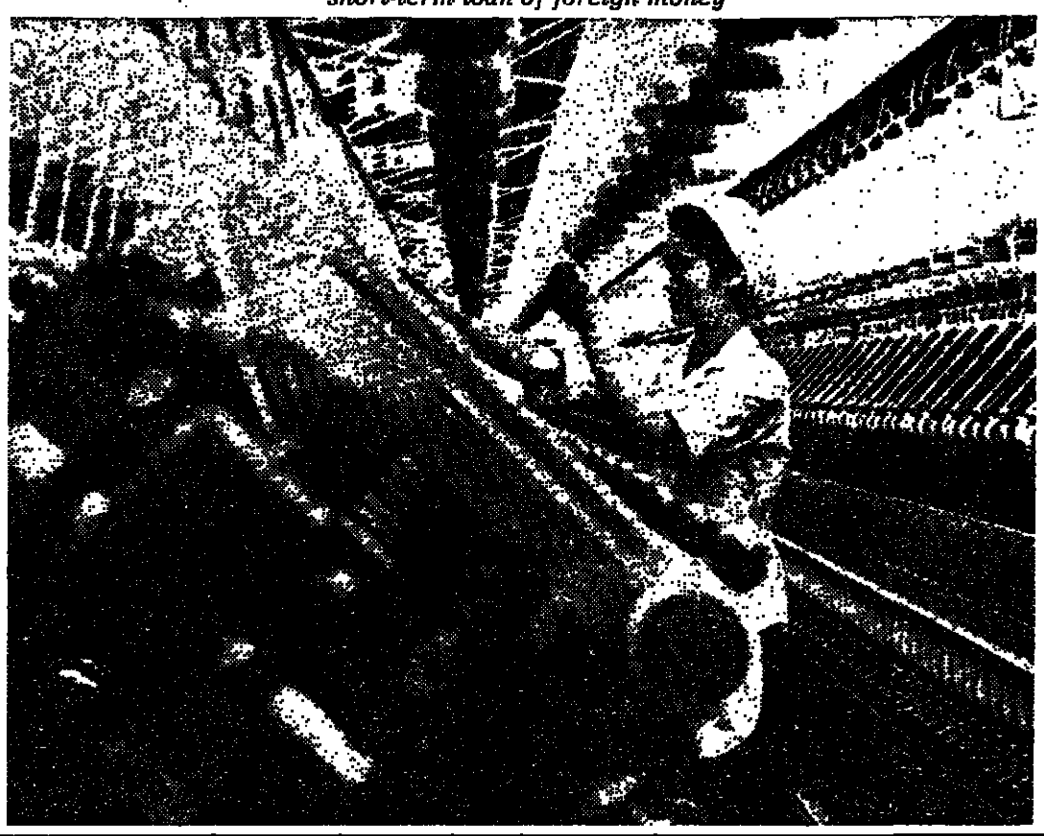
Since that broadside, and in view of the publicised problems over Baoshan, it would be a brave bureaucrat who recommended off-the-shelf purchases of expensive complete plant and equipment for heavy industry. There are unlikely to be any more Baoshans for quite some time.

Early morning mass gymnastics for ranks of scholars at a secondary school in Peking

BASIC STATISTICS

Area	9,561m sq km
Population	
Official Chinese estimate, 1979	970.9m
UN estimate for 1980	908m
GNP (1979)	Yuan 337,000m
GNP per capita, Official Chinese estimate:	Yuan 347.1
UN figure:	Yuan 371.1
Trade (1979):	
Exports ($m)	13,300
Imports ($m)	15,000
(converted at $1 = Yuan 1.6	
Trade with UK (1979):	
Exports (£m)	137.9
Imports (£m)	213.0
Trade with OECD (1979):	
Exports (£m)	2,856
Imports (£m)	4,750
Inflation (1979)	6 per cent
Currency: Yuan	
£ sterling = 3.5109	

Above: Workmanlike and thoughtful, two students from Peking University. Below: One aspect of China's industrial revolution—this textile mill in Peking was able to substantially raise its level of production by taking advantage of a short-term loan of foreign money



Commission to oversee conservation projects

CHINA'S ENERGY industry is under a cloud. Not only was the Oil Minister, Song Zhenming, spectacularly sacked in August following a disastrous oil rig accident last year; the Vice-Premier responsible for energy, Kang Shien, was severely reprimanded also. The Coal Minister was replaced last spring in a move probably designed to improve the administration of the industry. Production throughout the energy field is sagging.

Peking has now set up a new energy commission to oversee the entire sector and appointed to head it a former Oil Minister, Vice-Premier Yu Qiuli. His experience should help the administration to implement the important conservation policy on which the industry is mainly to depend for the next 18 months at least.

Since the introduction of the "readjustment" policy in February last year, most new investment in the energy field has been frozen. Planning Minister Yao Yilin said at the recent National People's Congress, that energy sources increased last year by less than 3 per cent. Nevertheless, industrial output value rose 8.5 per cent.

More substantial savings are thought possible. Industrial growth is to be held at 6 per cent in 1981 while energy increases will be only 0.9 per cent in 1981. Although there are numerous constraints on the growth of Chinese industry, the energy shortage is clearly an important one.

A key reason for the shortage is the plateau in oil production. China's major oil field at Daqing, which produces some 47 per cent of the total, reached peak production several years ago and the political climate was not then right to bring in foreign technology. Not until last year were foreign oil companies able to start co-operation with the Chinese on offshore development.

Two companies, the Japan National Oil Corporation and the French Elf Aquitaine, have already signed contracts to develop areas in the Bohai Gulf, while Total has agreed to work in an area in Beibu Wan — the Chinese name for the Gulf of Tonkin. At least 30 foreign companies participated in the seismic surveys, conducted by 16 firms, in the Yellow and South China seas and have now completed the work. The first data analysis is due in October this year, and the Chinese have said they will call for bids later this year or in the first half of 1981.

From the Chinese viewpoint, the arrangements so far have worked well in that the foreigners are footing the bill for the exploration. In the French and Japanese zones, the Chinese said the work they themselves had previously put in would count as their share of what was to be a "shared risk" contract. On the seismic surveys, the foreign companies agreed to meet the costs in return for a chance to bid for exploration rights.

ENERGY
COLINA MACDOUGALL

However, in the South China Sea the Chinese have done little work, and if shared investments are made in that area, they will have to provide substantial sums of money.

Meantime the Chinese are digesting their options on how to set up an international offshore industry. Vice-Premier Kang made an important visit to Norway and Britain during the summer to study the question of legislation, licensing, taxation and supply.

Foreigners have also visited onshore Chinese oilfields, though so far there have been no agreements on co-production. Vice-Premier Yu said at the Congress that prospecting work was continuing in eastern China, and in far west and south west China.

None of these developments will result in higher oil output for several years. The Chinese have told the Japanese they will not be able to keep the terms of the long-term trade agreement (1978-85) under which they are due to supply 9.5m tonnes of oil next year and 15m the year after. Instead they have offered to supply roughly double the amount of coal, increasing from next year's scheduled 2.5m tonnes up to 20m by 1985 instead of the original 10m. Oil shipments to Japan this year may fall below last year's 8m tonnes while the Chinese have said they can supply only 8.3m tonnes in 1981 and 1982.

The coal industry is getting a boost from the mining machinery supplied by West Germany and Britain last year. In addition the Japanese are helping to develop seven coal mines. While production has apparently fallen from 635m tonnes last year to only 610m this year, the medium-term prospects of higher production are quite good. Output is expected to rise again to 620m next year.

There is to be little new investment in the electricity supply industry in the short term. Bank loans and local funds are to eke out what the State will provide so that the industry can step up its existing capacity by another 3m kW. Power generated is expected to go up next year by only 4 per cent, another 12m kWh.

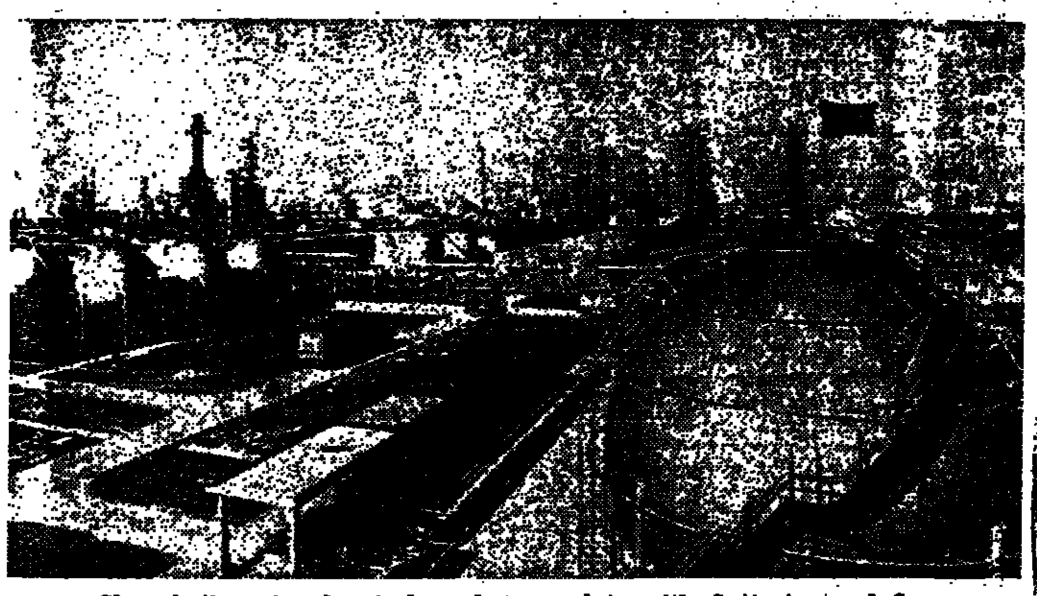
The Chinese have given up plans to import foreign thermal power stations because of the financial squeeze, and instead plan to step up development of the hydro-power industry. Building of the dam for the Yangtze gorges scheme is well under way and contacts with the U.S., whose then Energy Secretary, James Schlesinger, toured China in 1978, continue with a view to co-operation in hydro-power development in south-west China.

The only power equipment sold by Europe in the last year to China was the two power stations contracted by French and Belgian companies in December 1979. At the same time the Belgian Government gave China a loan of £4.8m, with a 30-year maturity and free of interest payments for the first ten years. This loan probably paid the downpayment on the £103m cost of the power stations.

The Chinese remain interested, according to Planning Minister Yao, in other sources of energy such as nuclear power. Discussion has gone ahead between the China Light and Power Company of Hong Kong and the provincial authorities in Guangdong over a proposed nuclear power station, but the central authorities in Peking have said that in general nuclear power is too expensive.

This need not affect Guangdong, which under China's new devolution of responsibilities will be permitted to make contracts with foreigners provided it can earn the foreign exchange itself. In any case, though the intention is that the power station should be sited in Guangdong, it would supply both the Chinese province and Hong Kong. The capital cost could be partially paid off by the supply of power.

These plans could take years to come to fruition, however. Meanwhile, the energy industry will have to make do with conservation to improve its contribution to the economy.



Shanghai's petro-chemical works, complete with fluttering red flag. The complex manufactures chemical fibre and plastics

Surge of interest in imported goods

IF CHINA is not yet a consumer society by Western standards, its people are embracing the new materialism encouraged by their political masters with a gusto bred of long deprivation.

A walk down Nanjing road in Shanghai, the capital of Chinese consumerism, reveals shop-windows packed with electrical appliances bearing famous brand names. The shops are crowded with people going about the very serious business of buying new appliances for domestic use.

At Shanghai's number one department store, I recently asked a man standing in a long queue outside the shop why the queue had formed. His reply: "We're here to buy a new brand of bath soap."

Starved of access to consumer goods for many years, the Chinese are now parting with money saved during those years in a splurge which has sent retail sales rocketing in the past several years. In Peking, where the rate of television ownership is high by national standards, people are moving on to buy washing machines, the newest symbol of Chinese consumerism.

During the recent National People's Congress an article appeared in the People's Daily, the Communist Party newspaper, which canvassed the prospects of China's achieving a comparable standard of living by the year 2000 to Japan's in 1966. This appears to be an officially endorsed target.

The drive to import living standards is tied in with the aim, stated earlier this year by Deng Xiaoping, to increase the per capita average income in China by the end of the millenium to $1,000. At present the average is $253, according to the State Statistical Bureau.

The People's Daily article speculated that if China could achieve the $1,000 dollar target by the year 2000, it would be on the way to becoming a "well-to-do" society.

Yao Yilin, head of the State Planning Commission, in his report to the NPC, gave per capita national income figures for peasants as about $56 per year (not including earnings from sideline production). For city-based workers, the figure was about $480, an increase of about $40 over 1978.

These figures take into account increased State payments for farm produce and the wage increases granted to 40 per cent of the workforce last year. The increases have no doubt been partly responsible for the rise in retail sales. In 1979, sales were up 14.5 per cent over the previous year. In the first six months of this year the growth was in the order of 18 per cent compared with the same period last year.

LIVING STANDARDS
TONY WALKER

In addition to wage rises for China's urban workforce, a bonus system has been instituted in most industrial enterprises. Bonuses paid on a sliding scale can boost a worker's earnings by as much as 20 per cent, although they usually average less than 10 per cent of wages. Urban workers are also paid subsidy to cover increases in prices of non-staple foodstuffs such as eggs, fish and meat.

One worry for China's economic planners is the inflation rate, now creeping up to a less than acceptable level. Yao Yilin recently admitted to a visiting Japanese delegation that it may have reached 7 per cent last year, instead of the 5.9 per cent announced earlier this year. Chinese frequently complain about increases in the cost of living, but there is little evidence this is causing actual hardship.

More disquieting, perhaps, are unemployment levels. China does not publish unemployment figures as such, but it is generally assumed that about 20m people are out of work in the cities. The problem is acute among young people, many of whom now have to wait several years for a job.

The authorities have instituted a system of youth collectives to mop up some of the unemployed. In Peking, for example, temporary shelters have been constructed on sidewalks where young people work at various tasks, among them selling cheap goods or running tea-houses. An indication of the difficulties facing the authorities is that last year they managed to provide jobs for about 10m people in the cities and towns, and yet still face an unemployment or underemployment problem of staggering proportions.

Another serious problem is housing shortages. While 1979 was a boom year for construction in China, housing in many cities is little more than derelict. Washing and sanitation facilities are inadequate in many places. An obvious difficulty, particularly noticeable in Peking, is the number of flats which remain empty for months after the shell has been completed because of a serious nationwide shortage of plumbing and other fittings.

Central to the drive to improve housing—as with so much else in China—is the need to reduce the rate of population growth. This also applies to the difficult task the authorities have set themselves in trying to meet consumer demand.

The American Central Intelligence Agency, in a paper published this year titled, "China: The continuing search for a modernisation strategy," describes the policies pursued by the Chinese leadership as an unparalleled appeal to the individual interests of the Chinese people. The CIA said rising consumer expectations were now a problem of "the first magnitude for the Government."

"Meeting this demand will be an acute problem for at least the next several years," the paper says. "The production of consumer goods still is not oriented to popular wants. As in the past a question remains as to how much of this production is actually sold and how much accumulates in warehouse stocks.

"This problem underlies continued Government attempts—through encouraging improved market research and the use of contracts between producers and marketers of consumer goods—to ease the situation. This is a new and exceedingly complicated management problem for both the Government and the industrial producer. Thus progress has been slow and their efforts will not quickly meet the expectations of Chinese consumers."

If Deng and his successors are to achieve a per capita national income level of $1,000 by the year 2,000 and reach a comparable stage of development to Japan in 1966, things will have to go smoothly enough to ensure growth rates achieved over the past several years are maintained. And along the way more and better-quality products will have to be pumped out to satisfy rising consumer expectations.

Strong emphasis on better food and fewer imports

AGRICULTURE
TONY WALKER

CHINESE AGRICULTURE is undergoing evolutionary rather than revolutionary change. But the results of present reforms could be just as dramatic as the establishment of the commune system in 1958. Indeed, communes themselves as they now operate could be the main casualty.

Renewed emphasis on giving peasants private plots of land and access to "free markets" in small and large towns round the country has introduced a potent second-tier to the business of agriculture. The prime example of the effect of the relaxation of rules of private production for personal gain is Sichuan Province, where these reforms have been most vigorously carried out.

Earlier this year, Sichuan actually experienced a pig-glut. Farmers complained bitterly they were not able to market their pork. This produced very practical exhortations in the shape of Maoist slogans such as "eat more pork."

Whether or not the Sichuanese responded to this crude advertising campaign, there is no doubt the development of so-called "free markets" (comparatively free of State price controls) at which peasants sell their produce has enlivened agriculture and helped to boost production of many commodities.

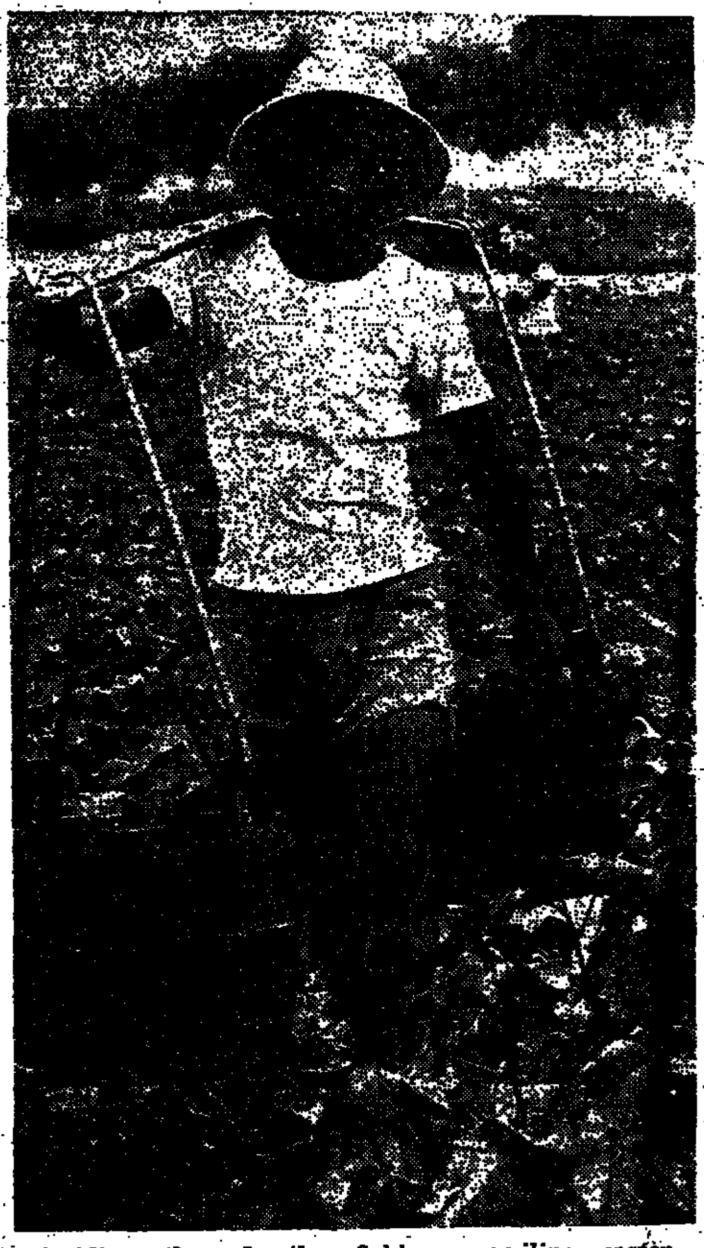
The encouragement to private production has caused problems in some brigades where workers have slackened off because they were more concerned about their own farming activities than about collective endeavour. The authorities have combatted this by setting strict conditions on the time peasants shall spend in private production and in commune labour each week.

Private plots and free markets are here to stay as long as pragmatic reformers like Zhao Ziyang, the new Premier, are in power. In fact it was Zhao, one of whose specialties is agricultural administration, who carried out a vigorous reform of the private plot system in Sichuan and who encouraged the development of free markets in competition with subsidised State-run markets.

To visit Chengdu, Sichuan's capital, is to be confronted by streets filled with produce as peasants competitively sell their goods to townspeople. Similar scenes can be witnessed in many other places in China.

There are no reliable figures as to what percentage of agricultural produce is now being sold in free markets, but according to statistics released by China's State Agricultural Commission, 14.6 per cent of the value of agracultural output in 1978 of $94.7bn was "sideline production." This includes pig raising and other small-scale private farming activities.

Some of this produce is sold to the State, but more and more is undoubtedly finding its way into free markets. Because of subsidies State markets remain competitive. How long this will continue is uncertain.



Striding through the fields—a smiling water carrier at a commune near Shanghai

Symbol of the assaults on the communisation of agriculture and indeed on the agricultural policies championed by Mao is the strong criticism in the Chinese media recently of Dazhai, once held up as a model commune for the rest of Chinese agriculture. The National People's Congress in September dealt a final blow to the Dazhai experiment when it sacked Chen Yonggui, the former leader of the Dazhai production brigade, who had been elevated by Mao to the Politburo and also made a Vice-Premier.

Dazhai is now regarded as representative of backward and wasteful farming methods. The only reminder of the hysteria attached to emulating Dazhai are faded slogans on brick walls around the country. In July the People's Daily revealed that one of Mao's pet projects had been a wasteful fraud which had "cooked" its grain output figures. This was no doubt an embarrassing revelation for Communist Party chairman Hua Guofeng who, in 1975, urged communes throughout China to emulate Dazhai, pointing to impressive grain production efforts.

Reports of the fraudlent grain figures followed the cancellation of an expensive project to carry water to Dazhai. According to the People's Daily the project was halted after five years of work involving an average of 5,000 workers a day. It had cost $30m.

Debate about agriculture over the past few years has fixed on how best to shift production away from grain in areas not suited to growing crops to stock grazing and other farming activities. This has meant getting away from the sort of policies represented by the slogan: "Taking Grain as the Key Link." While grain production remains the basis of Chinese agriculture, a more rational land use programme is being pursued.

In his report to the National People's Congress Yao Yilin, head of the State Planning Commission, said progress was being made in restructuring agriculture, something the Chinese are approaching with *extreme* caution, an understandable attitude in a country never far from the edge of famine. "The structure of agriculture and the patterning of crops which have been irrational for a long time have begun to show some change," Mr. Yao told fellow deputies.

A glance at the State agricultural value of production figures shows the continued dominance agriculture. But those advocating a move away from the emphasis on grain production are quick to point out that China has little extra arable land on which to grow crops. It has about 100m hectares, or 11 per cent of its land area, that is cultivable and already most of that is in use.

The biggest dilemma for Chinese agricultural planners is how far and how fast to go with mechanisation. As with all other ambitious plans announced in the first flush of the modernisation drive in 1978, China is now making a more realistic assessment of what is possible in the mechanisation of agriculture. While it remains the goal, early enthusiasm has given way to caution bred, naturally enough, of the fear of what effect too rapid mechanisation might have on employment in rural areas.

A Central Committee document on agricultural planning made public towards the end of last year stressed it was necessary to import, manufacture and popularise advanced agricultural machinery.

The agricultural blueprint approved by the Central Committee in September last year lays emphasis on developing key areas for rational land use. This so-called "key areas" or "agricultural zones" policy is aimed at using the land for purposes for which it is best suited, whether grain production, forestry, fish production or animal husbandry.

The Chinese plan also foresees the construction of satellite towns on the outskirts of cities to mop up workers displaced bv mechanisation. Industries servicing agriculture would be established in these satellites. But all this is some way off.

China this year has set grain production targets at the same level as last year's 332m tonnes record. This may be optimistic seeing that Yao Yilin admitted in his speech to the NPC that "severe natural calamities" had caused a 10 per cent drop in what he described as the output of summer crops. Mr. Yao forecast increases in sugar and cotton production for 1980 and the achievement of State quotas for edible oil-bearing crops, meat and marine produce.

A worry for the Chinese is their heavy dependence on imports of American cotton. In 1979 China imported $357m of U.S. cotton and it is expected the cotton bill will jump by about 20 per cent this year because of increased world prices. China has problems in boosting cotton production because of shortages of suitable land and difficulties inherent in switching land away from growing grain.*

An indication of the importance the Chinese leadership attaches to overhauling the agricultural sector is the recent appointment of Executive Vice-Premier Wan Li to head the State Agriculture Commission. Mr. Wan is now regarded as No. 2 in the State hierarchy behind new Premier Zhao Ziyang. Previously the Commission was in the hands of a lower-ranked official. Feeding the people better and reducing reliance on imports of commodities appear to be genuinely at the top of the list of priorities for China's new modernisers.

Shoppers throng a vegetable and poultry market

A peasant ploughs fields near the Great Wall of China

Military cutbacks worry generals

DEFENCE
COLINA MACDOUGALL

AN OLD Chinese proverb runs "You don't use good iron to make nails." It sums up the traditional image of the soldiery as a raffish and arbitrary mob which Mao Tse-tung's exacting guerrilla code of behaviour did not completely erase during the civil war in China.

This suspicion of the military generates a tension between political and armed forces leaders which today is heightened by the preference Peking is giving to the civilian economy just when the army is deeply conscious of its need for re-equipment.

In the years of economic progress during the 1950s and 1960s, the army's needs and political weight did not obtrude much. Not until the anarchic Cultural Revolution of 1960-69 did it emerge as the country's most powerful political force. The civilian leadership was gradually able to win back its lost position, but the net result of ten years of political feuding and economic stagnation was that military equipment had been totally neglected and military loyalty split by destructive rivalries.

Strategically, the top civilian leadership calculates that despite its outdated military hardware its nuclear deterrent will prevent a Soviet nuclear strike while the chances of a Soviet overland invasion are small. More important than re-equipping a still divided army is to plough all available funds into the civilian economy to unite the country by raising the standard of living.

However, senior officers must be seriously concerned at the army's obvious deficiencies. After the post-Mao leadership took office in 1976, they began exerting pressure for cash to update their mainly 1950s weaponry. They were told that their allotment would only go up in proportion to the general growth of the company. But they overspent their share on last year's invasion of Vietnam, according to the Finance Minister at this year's National People's Congress, by $1.3bn more than the budgeted $13bn. To reduce the overall deficit, the military budget for 1980 has been cut to $12.8bn. This clearly precludes much re-equipment.

This conflict over funds has been heightened by the army's seeming emergence this year as a new factor in the national power struggle. Deng Xiaopong has been clearly aiming to isolate Chairman Hua Guofeng as the most powerful remaining adherent of Mao's and a stumbling-block to his own innovatory economic policies.

A People's Liberation Army conference in April provided Hua with his one opportunity to criticise Deng, saying (in contrast to the Deng line that good results are the only test of a good policy) that political work was still the lifeblood of economic work. This was followed up by an army newspaper editorial on August 1 affirming the importance of politics.

Hua may have turned for support to senior army leaders like Li Desheng, powerful commander of the huge Shenyang military region, whose fief he visited in June. Opportunity for this manoeuvre may have been offered by the disenchantment felt by sime military leaders at Deng-sponsored policies like the outbreak of critical wall-posters in 1978-79.

This support did not save Hua from losing his premiership at the Congress — nor did it prevent major reshuffles last spring in the provincial and national military leadership. Chen Xilian, commander of the Peking military region, much attacked in posters and long believed to have been connected with the Gang of Four, was sacked in January.

Deng confident of his own strength, himself resigned his chief of staff post to Yang Dezhi, previously commander of the Kunming military region. New commanders were posted to four out of the remaining nine military regions, a move which effectively reduced their power since they lost their old connections.

The powerful Standing Committee of the party's Military Affairs Commission was given an infusion of new blood in February with five fresh members. A new secretary of the Commission was appointed, Vice-Premier Geng Biao, whose recent rise in the ranks of party and government had been swift. Surprisingly, the 78-year-old Defence Minister Xu Xiangqian was not replaced in the ministerial reshuffles at the time of the Congress, a sign perhaps of continuing argument over this powerful post.

Short of money and divided though the military arm was, the past year has seen two key marks of technical progress — the first after years of stagnation. An ICBM, the CCSX-4, was successfully tested over the Pacific and a new fighter aircraft, the F-8, appeared to be on the verge of production. The folly of producing large numbers of tanks and mortars of 1950s vintage had struck home. Some arms factories reportedly cut production and funds may well have been diverted to aerospace activities.

The success of the ICBM test gave the Chinese a more effective nuclear delivery system. It is already deployed in small numbers and the newspaper Guangming Daily has hinted that it is solid-fuelled. At the same time China developed its space programme with work on the Long March 3 rocket, comparable with the mid-60s U.S. Titan. U.S. space scientists who visited the production site at Shanghai described the technology as "advanced, but simple."

The F-8 fighter is reportedly modelled on the French Mirage 2000. According to the Washington-based China Business Review, only a handful exist and flight stability and control are still problems. Nevertheless, the Shenyang Aircraft Factory, currently making F-6s (Chinese versions of the MiG-19) may be building the F8 before the end of the year. Two official Chinese reports made recently refer to new supersonic fighter capable of twice the speed of sound.

These advances are milestones, but make little difference as yet to the whole picture. The modernisation of China's forces is decades away, the CIA's National Foreign Assessment Center confirmed in August. China is still repairing the damage to its technological capability caused by the Cultural Revolution, and it lacks the necessary massive funds.

Assembly work being carried out on China's latest supersonic jet fighters

Peking clearly plans to update with great selectivity. Besides pinpointing important areas in their own defence industry, the Chinese have toured Europe examining military technology. Contracts are so far few. In a £40m deal with Marconi Avionics last July the Chinese bought equipment such as head-up displays for their F-7s and F-8s. Missiles remain under discussion with British Aerospace Dynamics and European groups. France's Aerospatiale sold 50 helicopters plus technology in July. A huge Chinese team visited the Farnborough Air Show.

Perhaps more important in the long-run than European tours was the lifting of the ban on sales to China of "non-lethal" U.S. military equipment, announced in Washington in May by Defence Secretary Harold Brown following talks with the visiting Chinese Vice-Premier Geng Biao. This move was clearly influenced by the Soviet invasion of Afghanistan. Items cleared for sale included military transport aircraft, computers and tactical air-defence radar sets. Under discussion for clearance were anti-tank missile systems.

But despite this new American willingness to favour Peking over Moscow, China's financial handicaps and its present priority for raising the standard of living will prevent it from buying more than a fraction of the hardware its generals would like to have. The military priority issue could be a serious factor in Peking's future balance of power.

Attitudes becoming more cautious

FOREIGN POLICY
DAVID HOUSEGO

AFTER A long period of virtual isolation, China plunged in 1978-79 into a hectic burst of foreign policy which carried it, at one extreme, to war with Vietnam and, at the other, to the establishing of full diplomatic relations with the U.S. Over the past 12 months the pace has been more cautious, and the Chinese leadership has come more to terms with the limitations of Chinese power and the risks of being over-extended.

Peking has watched with discomfort the Russian invasion of Afghanistan, while Vietnam, Russia's ally in South East Asia, has consolidated its hold on Indochina. Both events confirm China's worst suspicions: that the Russians are seeking the encirclement of Europe in the West and of China in the East. The immediate impact of the Russian occupation was to bring China and the U.S. closer together, as reflected in the U.S.'s readiness to supply the Chinese with sophisticated equipment for civilian and military purposes which is now denied to the Russians.

The Chinese have huffed and puffed at the further growth of Russian "hegemonism" and chided the U.S. and West Europe for not responding more firmly. But their own ability to challenge Russian gains is small.

They have probably provided aid to the Afghan insurgents, but they have certainly not been able to offer Pakistan the breadth of military support that would mark a substantial contribution to Pakistan's defence. They have, however, certainly encouraged and supplied arms for Khmer Rouge guerrilla operations against the Vietnamese-backed regime of Heng Samrin in Kampuchea.

But the Chinese do not have the resources to present a serious threat of a new attack across Vietnam's northern border. This is the step that Vietnam fears most, and it would be a further drain on its military campaign in Kampuchea.

Pre-occupied with putting their economy to rights, the Chinese have no wish now for additional military adventures. The cut-back in the defence budget announced at the September meeting of the National People's Congress, to the grumbling of some of the generals, is a sign that China probably cannot afford them.

Premier Zhao Ziyang, in one of his first interviews after formally becoming head of the Government, told Mr. Robert Muldoon, the New Zealand Prime Minister, that a withdrawal of Vietnamese troops from Kampuchea was no longer one of China's pre-conditions for talks to secure a political settlement in that country.

The Chinese are no more reconciled to the Vietnamese presence in Kampuchea than they are to the Russian occupation of Afghanistan. In the case of Kampuchea, the Chinese may well believe that in time, the Vietnamese will have to pull out. But they are not prepared to fight to get them out.

Likewise they have adapted their views from insisting on the inevitability of world war to arguing for a United Front with as many nations as possible to prevent the outbreak of a further war. China's priority is to gain influence in the world through building up its economy, rather than through hefty military expenditure.

China would like closer ties with the U.S., Japan and the countries of Western Europe in the containment of Russia than any of these States are ready for. Without the fanfares that accompanied Deng Xiaping's tour of the U.S. in early 1979, Hua Guofeng's visit to Europe, or the signing of the Treaty of Peace and Co-operation with Japan, China has been Consolidating its newly developed ties with the capitalist powers it once regarded with suspicion.

It has also been seeking new friends and offering to settle old disputes. Peking proposed to India an overall settlement of their border conflict which led to war in 1962. But the Chinese found an unenthusiastic response in Delhi. It has also opened the borders of Tibet to trade with Nepal, Bhutan and states to the south.

Vice-Premier Huang Hua visited Australia and New Zealand as part of China's efforts to enlarge its ties in the Pacific. In March, he toured South-East Asia. It is in line with China's increasing openness towards the outside world that it has joined the International Monetary Fund and the World Bank.

But the Chinese cannot easily remove the legacy of distrust with which such a vast country is viewed by its neighbours. India is apprehensive of the long-term threat of China's larger population and its increasing technological power. In South-East Asia, both Indonesia and Malaysia are worried at the appeal Peking could have for their own indigenous Chinese population and thus have tended to see Vietnam as a counter-weight.

But distrust is deepest in the Soviet Union, which is as paranoid about encirclement by a Sino-Western alliance and the pressure of China's population on its eastern territories as are the Chinese at being outflanked by the Russians.

The Russians maintain 43 divisions on the border with China, equivalent to a third of their military capability. They have enormously stepped up the activities of their Far Eastern Fleet, which now has port facilities at Cam Ranh Bay in Vietnam. These facilities give the fleet greater flexibility than when Vladivostock was its only base.

Worried at this growth of Russian influence off its shores, the Chinese have strongly resisted oil exploration by Vietnam in the disputed waters close to the Paracel and Spratly Islands.

The U.S., Japan and Western Europe have all been careful not to antagonise the Soviet Union by unnecessarily "playing the China card." Since the Russian occupation of Afghanistan, the U.S. has been more ready to sell the Chinese advanced electronic gear and military support equipment.

That policy could change if Mr. Ronald Reagan were to become the next U.S. President — a change that would horrify the Chinese, who strongly denounced his proposals to accommodate opinion in Taiwan by reviving a two-China policy.

But all three States are anxious for the sort of multi-tiered relationships with China — cultural, economic and based on mutual security — that they would expect to have with a country of China's size and history.

The new social contract hangs in the balance

ANTHONY ROBINSON in Warsaw looks at the problems facing the Polish Communist Party in the wake of this summer's bloodless revolution

WARSAW film-goers are packing the cinemas to watch a special newsreel featuring highlights of recent strikes in the Gdansk shipyards. It underlines sharply how much Poland has changed in recent weeks and, indeed, over the last decade.

Interspersed between shots of peaceful strikers listening on loudspeakers to negotiations between strike leader Lech Walesa and Government representatives are terrifying shots of what happened during similar strikes in the Gdansk shipyards in December, 1970 — pictures which up to now only the secret police and top party officials have seen.

The film shows the city in 1970, ringed by armoured personnel carriers and patrolled by armed troops, and fierce clashes between troops and strikers in streets full of tear gas. This summer, by contrast, Poland has gone through what can only be described as a revolution—without a shot being fired or a drop of blood spilt.

The credit for this is due to both sides—strikers and Communist Party alike. It goes to ex-Party secretary Edward Gierek and his former security boss turned first secretary, Stanislaw Kania, and union chief Lech Walesa. Both sides seem to have learnt from the bitter experience of 1970 and both appear determined that it should never happen again.

This basic agreement is the foundation of the new social contract emerging between the Polish Communist Party and Polish society, including for the first time an organised, independent trade union movement.

It is a contract which could only exist in Poland. To a much greater degree than any other East European country, Poland has stubbornly resisted all attempts to turn it into a copy of the totalitarian model which Moscow sought to impose on the satellites it won as the Red Army advanced across Europe at the end of World War II.

The new contract thus appears to have a solid base. But the flurry of rumours in the past few days about a trip to Moscow by Mr. Kania, the new first secretary of the Polish Communist Party, raised fresh doubts about how far the Russians will allow the reforms to go.

In the event it turned out that Mr. Kania did not leave Poland at all, but the steady evolution of the Polish situation must be deeply disturbing to the Soviet Union. The signs are therefore that Poland will feel itself walking a tightrope for some time to come.

The party itself is in a sober and chastened mood. In the last two months it has faced a working class revolt which has challenged its ideological legitimacy, its honesty and its efficiency. What has not been challenged, in deference to the Soviet Union next door and the wider geo-political dictates of the East-West balance, is the necessity for continuing Party rule.

In effect the Party leadership is being told: We know that you are obliged to rule us—but not to rule us just as you like.

This is not strictly speaking a new message from the Polish people to its rulers. But what is new is the emergence of an organised working class which has joined the pre-existing external forces of Church, independent peasantry and intellectuals to make Poland's already de facto pluralistic society richer and more articulate.

This process is still in its early stages. Last Wednesday Mr. Walesa and other leaders of the new independent trade union umbrella organisation "Solidarnosc" formally applied for legal registration under the terms of the Gdansk Agreement signed by the Government on August 31.

Solidarnosc (Solidarity), is the trade union co-ordinating body, roughly equivalent to the British TUC or the official party-controlled Central Council of Trade Unions (CRZZ).

It will co-ordinate the activities of the various regional and industrial unions now being established under its umbrella. Solidarnosc checks the credentials of the new independent unions as they seek affiliation to it, and assures that the shape of the new union structure is determined outside Party control.

The enthusiasm for the new trade unions is certainly not confined to industrial workers. Journalists, lawyers, teachers, students and many other sectors of society are also busy arguing the case for new self-managing unions of their own.

This of course has wide-ranging implications for a Communist Party which, in practice as well as theory, has always sought to maintain close control over the media, education and culture.

The relaxation of Party control over these vital areas is likely to create considerable tension in future—not to speak of apprehension in the Soviet Union and neighbouring socialist states. Grave problems also lie ahead on the economic front.

Two months of strikes, and a continuing inability to get back to full production as workers organise themselves on the factory floor, mines and shipyards, have seriously affected an already flagging economy. Economic grievances lay at the heart of the worker revolt. Higher meat prices were merely the trigger which fired long simmering anger at shortages, and low wages made worse by evidence of corruption and inefficiency at all levels.

Yet the economic concessions made by the Government in Gdansk, Silesia and other areas in order to get the workers back to work will themselves have the twin effect of reducing the working week, and injecting an estimated Zl 150bn (about $3bn) of new purchasing power into the economy in the next 15 months.

The short term consequences of these concessions can only be greater shortages, higher prices and even greater discontent—unless accompanied by a miraculous increase in productivity or massive increases in imports of food and other consumer items from Poland's already hard-pressed Comecon neighbours, or on credit from the West.

The Soviet Union has already stepped in with $550m of short and medium term credits, and postponed repayment of $280m of outstanding loans. It has already offered $150m worth of foodstuffs and raw materials, and the equivalent of $260m in transferable roubles.

East Germany has offered grain and other goods worth about $150m and other Comecon countries are being asked to contribute as well. Poland's Western suppliers are also being canvassed to provide additional hard currency finance, especially for the completion of major investment projects hit by delays and spiralling costs.

These include the three major outstanding UK contracts —the Massey-Ferguson-Perkins tractor plant at Ursus, Petrocarbon Corporation PVC plant at Wloclawek and Cementation's hotel, office and airline terminal building in Warsaw itself.

Last week the Government announced that no major investments would be started next year. The total amount allocated to investment generally would be cut by Zl 55bn next year to Zl 530bn, which is Zl 140bn lower than last year.

At the same time, the Government is pledged to step up investment in new housing, creches, and social infrastructure generally in order to keep faith with its commitments to the new unions. Clearly the funds available to industry will be severely curtailed in the immediate future, and the margin for future concessions is practically non-existent.

And yet, in spite of all this, the Party has to find some way of increasing its credibility and standing with the Polish nation and Polish workers. Something, somewhere will clearly have to give.

To its credit the Party, or at least that section of it which is still broadly reformist rather than crassly careerist, has few illusions about the size of its problems or its ability to cope with them without a fundamental new approach to society at large. The Party had to come to terms with the bitter truth that the development of Polish society has far outstripped its own development. Now it has to close the gap.

Implicit in the speeches and actions of Party leaders in recent weeks has been a new modesty, and willingness to listen rather than command. Mr. Kania himself, in his speech accepting the post of First Secretary, openly doubted whether Poland needed the old-style, charismatic Party boss—the part played both by his immediate predecessors, Mr. Wladyslaw Gomulka and Mr. Edward Gierek. Instead, Mr. Kania sees his prime task as that of building up the morale and self-confidence of the Party itself.

The Party will retain its theoretical leading role and monopoly of formal political power. But the practical task of governing Poland is expected to be left increasingly in the hands of the Government. The role of Parliament is also expected to increase. Debates have already become more lively.

Late in the day the leadership is having to confront the dangerous gap which had emerged between it and the bulk of the 3m-strong Party membership. The Party estimates that 30 per cent of the strikers in August and July were Party members.

Above all, the Party has come to terms with the fact that in the new, independent unions it has potentially either a powerful opponent or a valuable channel of communications.

In addition to the new unions, the Party also has to come to terms with its own members and address itself to the task of creating greater inner Party democracy. This is expected to be a major theme of the Central Committee plenary meeting expected this week, and the Extraordinary Party Congress scheduled for late autumn.

A whole series of concrete proposals aimed at ensuring greater internal democracy and the accountability of Party leaders to its membership are being prepared.

In essence, what all this amounts to is an attempt by the Party to return to that difficult search for a Polish way to socialism which started after the war, was brutally interrupted by Stalinism, restarted but never finished under Gomulka and Gierek and now looks more necessary than ever.

1970—rioting workers loot a foodshop.

1980—safe transport for strikers' food.

Letters to the Editor

Consumers and the farmer

From the chairman of the Central Council for Agricultural and Horticultural Co-operation.

Sir,—It was with some disappointment that I read John Cherrington's (September 19) "Farmers at the poor end of the chain." I have always found his contrary views to be stimulating and highly pertinent.

However, the concentration he applied to the views "that modern methods of food manufacture, and distribution, seem to take more and more of the consumers' money, leaving the farmer to pick up the dregs," is an often quoted view and somewhat misleading.

As the consumer becomes more demanding in terms of "ready for the pot" products it is inevitable that post harvest processes will become more and more complex. There is no harm in this development as long as it is adding value and the consumer is prepared to pay the final price.

What matters, as I am sure John Cherrington will agree, is not the percentage of the total cake obtained by the farmer, but the size of the cake and the net on-farm return for the raw material itself, and whether the total return to the farmer is adequate to service his investment and provide a reasonable profit.

In addition, maximising market returns hinges on our ability to produce economically that which the market requires and to process it as cost effectively as possible. The solution to our problem does not just lie in "concentrated selling on a virtual monopoly scale."

The argument that the purchasing power of the High Street is concentrating into fewer and fewer hands and therefore must be matched by equal concentration under the producer is correct, but not just in terms of bargaining power—it must be to obtain the highest degree of cost effective market orientated production. The Milk Marketing Board is fully embarked on this vital course.

However, apart from milk, sugar and possibly cereals, most other agricultural products are far from homogenous and do not lend themselves readily to virtual monopoly selling.

What is needed, being practical, is a realisation by the farming community that the future is in their hands, and although not all co-operatives are the perfect solution there are sufficient successful examples for producers to sensibly see the need to group together to either employ professional management or form a relationship with professional managers already in the industry so that the bulking up process can begin.

By and large, the co-operative sector handles some 10-15 per cent of the national agricultural output, which is far behind any continental comparison.

The reason for the slowness of growth is both social and economic and as each commodity comes under pressure with the end of the EEC transitional period, we must encourage producers to group together under their own initiative rather than just relying on institutional or monopoly support.

In this context the current moves of the APDC with their Kingdom Pac, United Grain Producers and others are showing the sort of practical approach that is essential.

It is the responsibility of all of us to consciously pass the message through to the farming community that the future, subject to political vagaries, rests mainly in their hands and it is for them to understand and prevent the sort of lack of short-term loyalty to contracts and to co-operating during times of high prices, highlighted by John Cherrington in his article.

N. P. G. Saphir.
Central Council for Agricultural and Horticultural Co-operation,
301-344, Market Towers,
1, Nine Elms Lane, SW8

Unworkable block grant

From Councillor C. K. Manns

Sir,—Those of us in Local Government who have been fighting the "Block Grant" provisions of the Land and Planning (No. 2) Bill welcome the article by Mr. Pauley in the issue of Monday, September 22.

It is clearly shown that the "Block Grant" is an unworkable system if any semblance of fairness and local needs is to be maintained.

Through the columns of your paper may I urge anyone who supports or indeed does not oppose the "Block Grant" as currently proposed to read the article by Mr. Pauley very carefully. They may find that the search for limits on the spending of Local Government will in fact be more difficult and prospective rate increases even higher.

C. K. Manns.
Councillor,
North Wiltshire District Council,
70, Forrester Green,
Colerne, Wiltshire.

Investment in steel

From the Director, Metallurgical Plantmakers Federation

Sir,—Alan Pike's article (September 23) referred to the concern by Mr. Bill Sirs and others on the effect that the excess of steel imports into the United Kingdom has on the British steelmakers. We must not however overlook the impact on those who make the plant for the steel industry.

The metallurgical plantmakers have always been major exporters of capital goods and they have responded to the downturn in the domestic market with even more vigorous export activity. But no plant building industry can survive without the effective home market and modern "references" which are an essential feature of the firm base from which to mount export campaigns.

New investment to support developments is essential not only to the future of the British metals industry but in turn, to those who design and make the plant.

D. A. Pocock.
7, Ludgate Broadway, EC4.

Communications progress

From the Director, Centre for Decision Making Studies, Tavistock Institute of Human Relations.

Sir,—An interesting though involuntary index of managerial simplicity can be constructed from articles and letters written by or for businessmen in a paper like yours. The half page article on Kellogg's new communication policy (September 24) is a good example. It describes how this company, obviously highly sophisticated in its advertising communications, failed to apply quite basic notions of personnel policy to its own staff. It took a ten-week strike to make them sit up and think.

It then hit on a very simple staff communications policy that would have been pioneering stuff in the mid-1930s, and could still have been quite interesting, though hardly progressive, in the late 1940s and early 1950s. Endless documentation over the last four decades should have bereft it of news value in 1980. Yet here you have to give up 56 column inches of your Management Page to publicise an apparently startling conclusion that "within a remarkably short space of time . . . its new communication policy has created a much better spirit . . ."

One wonders whether you would find it necessary to devote as much space to an article addressed to accountants which extolls the virtues of regular management as opposed to annual financial accounts. The "profession" of man-management has a long way to go.

Dr. Frank A. Heller.
Belsize Lane, NW3.

When banks lend

From Mr. L. Jackson.

Sir,—Mr. Grey's letter (September 23) having rebounded off Miss Macdonald (Runaway money supply, September 23), I wonder if it is possible to convince her with an example that banks do not normally create new money when they lend?

Consider a (simplified) situation where an overseas bank in London (bank A) agrees to lend £1m to a UK manufacturer for working capital. Bank A will obtain sterling from the market, which means that another bank (bank B) will be £1m short on its sterling book. Bank B could well be one which has a loan for £1m maturing and being repaid on that day. In that case, bank B will square its book but its company customer, in repaying the loan, will have depleted its financial resources by £1m. What has taken place is a transfer of demand for existing funds within total sterling availability on a particular day, not creation of additional sterling.

Of course, velocity of circulation comes into it, although this is not even mentioned by Miss Macdonald, but this would still apply if funds were reallocated by a monetary commission. It is the multiplier effect of transactions radiating outwards from the original dollop of credit which further complicates the task of Treasury and Government in trying to control the money supply.

As to the Commission itself—in the absence of divine guidance, which is in regrettably short supply—is not a State Monetary Commission, isolated from the feel of the markets, likely to blunder more often than the existing authorities in trying to determine the correct stock of money to finance total transactions at any given time? And, if Miss Macdonald proposes to dismantle the money markets and scatter London's unrivalled concentration of financial expertise and innovative skills, is it likely that a commission—possibly subject to Parliamentary delays — could take the instant day-to-day decisions which enable the present market system to provide funds speedily and efficiently where they are needed? And why emasculate the banks, whose business it is to assess risks?

Miss Macdonald's Monetary Commission looks like a non-starter to me. What is needed is better information and techniques, not fancy new institutions.

Leonard A. Jackson.
Caritas, Heathside Lane,
Hindhead, Surrey.

The money supply

From Mr. N. Travers

Sir,—Clare Macdonald (September 26) really ought to study Bank of England statistics before blaming bankers for inflating the money supply. Bank lending may have been an inflationary force during the Barber boom, when public sector borrowing requirement increased by £4.5bn between the end of 1970 and mid-1973, bank lending climbed by £11.2bn, and M3 advanced £10.5bn.

But Chancellor Barber was much more to blame than the bankers. Competition and credit control, with its introduction of a 12.5 per cent reserve asset ratio, effectively directed the deposit banks to speculate by switching liquid and quasi-liquid assets into lending. They consequently ran down their holdings of cash, money at call and short notice, treasury and other bills, and gilts from 28.7 per cent of current and deposit accounts at the end of 1970 to 17.6 per cent in mid-1973.

At the same time they increased their advances from 53.0 per cent to 70.6 per cent of current and deposit accounts. The 17.6 per cent switch equated to bank lending totalling £6.9bn in mid-1973, or 62 per cent of the £11.2bn growth in bank lending overall. In other words the change in banking controls directly created nearly two-thirds of bank lending growth during the boom.

Bankers then reacted to property and stockmarket debacles in 1974 by deflating money supply growth in 1975. When bank lending fell £700m, while PSBR climbed £11.1bn. The bank lending cutback helped trim M3 growth to £2.3bn.

Bankers similarly helped mitigate the inflationary impact of Government printing presses last year, when PSBR climbed £10.4bn, but bank lending only rose £8.6bn, and M3 only advanced by £6.6bn.

The figures show that Government printed money for bankers to borrow and lend, and bankers reacted to market pressures by accelerating or braking PSBR growth. Whitehall drove and bankers went along for the ride.

Miss Macdonald went on to play dangerous semantic games in claiming that every bank loan creates a deposit. Bank loans only "create" deposits in the sense that bankers have to find new deposits every time they want to make new loans, and only manufacture deposits in the generally accepted sense when they are relent. Spent bank loans merely create debit balances—as anyone who has ever owed money on overdraft well knows.

Nicolas Travers.
Birchfield Cottage,
Middle Green, Slough.

Today's Events

GENERAL

UK: Labour Party conference continues, Blackpool.

Financial Times conference on Financial Futures for European Institutions. London Hilton, Park Lane, W1.

Further sections of Employment Act in force:—secret ballots on employers' premises, determination of fairness of dismissal, qualifying period for unfair dismissal, basic award for unfair dismissal, maternity leave provisions and guarantee payments.

Mr. David Howell, Energy Secretary, is guest speaker at Council of British Manufacturers of Petroleum Equipment annual dinner. Grosvenor House, London.

Mr. George Younger, Secretary for Scotland, officially opens new Aberdeen establishment of Richard Smith, chemical merchant.

Chloride Automotive Batteries to launch "Sealed for Life" car battery for the UK market.

Henry Moore attends the inauguration by Mr. Michael Heseltine, Environment Secretary, of his sculpture "The Arch," Kensington Gardens, London, noon.

United Internationale des Syndicats de Police Congress, Brighton (last day).

Fulmer Research Institute open day, Stoke Poges, Slough.

Prince of Wales attends Royal Gala Auction in aid of the Royal Opera House Development Appeal, Covent Garden, London.

Overseas: Sir Geoffrey Howe, Chancellor of the Exchequer, addresses full meeting of the International Monetary Fund and International Bank for Reconstruction and Development, Washington.

Duke of Edinburgh delivers Fairfield Osborn Memorial Lecture of the New York Zoological Society, New York.

OFFICIAL STATISTICS

Advance energy statistics (August).

COMPANY RESULTS

Final dividends: A. Beckman. Electronic Machine. James Halstead Holdings. B. Paradise. Interim dividends: Anchor Chemical. A. F. Bulgin. Dinkie Heel. Hiltons Footwear. J.B. Holdings. Jove Investment Trust.

COMPANY MEETINGS

Forminster, Mayfair Hotel, Berkeley Street, W, 9.30. Haslemere Estates, 4, Carlos Place, W, 12. Steinberg, Grosvenor House, W, 12. Warner Holidays, Café Royal, Regent Street, W, 12.

John Laing dives £3.55m but interim unchanged

THE INTENSIFICATION of the problems which have faced the construction industry in recent years and the deepening recession which is affecting much of British industry have caused pre-tax profits of John Laing, construction engineer, to tumble from £5.01m to £1.46m for the first-half of 1980.

Sir Maurice Laing, the chairman, describes the results as "most unsatisfactory," but the interim dividend is being held at 1p net per 25p share. Last year, when profits before tax fell from £14.76m to £11.27m, a total of 2.875p was paid.

The board will continue to take all possible steps o improve profitability in the face of the current adverse trading climate, while maintaining the strength of the business, Sir Maurice states.

However, he says the uncertainties which apply to the remainder of the year makes it unwise to forecast the total outcome for 1980.

In the depressed UK construction market, suffering from public sector cuts and lack of confidence by the private sector, new orders are failing to match the rate of production. The group is tendering for a larger proportion of the relevant opportunities and has been successful in obtaining a reasonable share of these. But the chairman warns that "at this stage, we cannot be confident of maintaining in real terms our current level of activity through 1981."

Despite narrow margins, building contracting, which is the basis of the group's UK business, continues to be profitable, but a series of difficult civil engineering contracts has meant the necessity of further loss provisions.

The winning of overseas work is continuing to be difficult in the intensely competitive markets faced in most countries, and margins from a lower volume of work are being eroded by high financing costs.

The recession has severely affected demand for construction materials and since June 30 production has ceased at three of the group's ten Thermalite factories, while cut-backs in production have been made elsewhere.

This will reduce profits from this source for the remainder of the year and the costs of these measures will add to the charge for extraordinary items.

Planned expansion of the group's private housing has inevitably been modified to the reduction in demand, although another profitable year for this activity is assured.

Turnover, including associates, for the half year rose by £61m to £294m.

Depreciation charge for the period was up from £2.95m to £3.69m. Tax took £0.76m (£2.6m) and after minorities, attributable profits were down at £0.91m, against £2.61m. The interim dividend absorbs £538,000.

Thomson T-Line loss deepens

REDUCED sales of touring caravans and the high level of bank interest rates are blamed for the bigger loss reported by Thomson T-Line Caravans for the first half of 1980.

On sales to external customers reduced from £2.01m to £1.85m the company incurred a taxable loss of £126,399, compared with £22,663 for the comparable period in 1979.

The directors are omitting the interim dividend. Last year 1.75p net was paid followed by a final of 1.75p despite pre-tax losses rising to £272,000.

They say that in order to match the reduced demand further redundancies have been intimated. Negotiations are in hand for the sale of surplus land and buildings which should go a long way towards eliminating the company's bank borrowing, the directors add.

There was a tax credit for the six months to June 30, 1980, of £65,061, compared with £6,697, leaving a stated loss per 25p share of 3.79p (0.986p).

The net loss showed a rise from £15,966 to £61,338.

The directors say that following the written announcement of the chairman, Mr. D. Thomson, of his desire to dispose of his family shareholding, none of the inquiries so far processed satisfy the basic requirement. The matter is proceeding, they say.

Thomson's principal activities include the manufacture and supply of caravans and residential units and trailers. It is also a timber merchant.

MIDLAND BANK STATISTICS

A total of £207.3m in new money was raised in the UK in September through the issue of marketable securities, the highest sum since May, 1979, according to statistics compiled by Midland Bank. The total raised in the first nine months of 1980 was £867.9m compared with £790.7m in the same period last year.

HIGHLIGHTS

Lex looks at the latest renewal of hope for an early cut in MLR despite the recent rise in U.S. interest rates. Two important companies from the building sector reported yesterday in contrasting style. Ready Mixed Cement closed its half-year figures with a 40 per cent leap in profits to over £21m, while John Laing has reported a severe setback in half-time profits. Finally, Lex considers the figures from Foseco Minsep which has achieved a narrow gain in first-half profits despite problems in the UK and the U.S. On the inside pages two Irish companies come in for comment. Jefferson Smurfit's attributable earnings have been hammered by a higher minorities charge reflecting the supportive growth from Alton Box. Waterford Glass has produced lower half-time profits and it now looks as if the company will report its first full-year profits setback in 26 years. Other comments show that Brent's profits rise is modest by historic standards, Mitchell Cotts is still trying to promote a growth image while Bunzl's recent diversification moves do not appear to have been particularly successful.

Foseco approaches £9.5m at halfway

PRE-TAX PROFITS of Foseco Minsep, the international manufacturing group, rose from £9.23m to £9.44m in the six months to June 30, 1980. Sales rose from £111.51m to £117.66m.

The group, which has operating companies in over 30 countries and which supplies specialised products and technical services, continued to make progress overall despite difficult trading conditions in certain markets—principally U.S. metallurgical and the UK generally.

Sales to the steel, foundry, construction and mining industries were ahead of the corresponding period of 1979 which included £3.9m in respect of companies subsequently sold.

The group has recently acquired Unicorn Industries, a leading manufacturer of a comprehensive range of abrasive and drilling products with operations in 19 countries.

Foseco's half-yearly figures do not include those of Unicorn, except that the amount of the interim dividend payable includes £551,000. This is the dividend payable to holders of 20.8m new ordinary shares issued to date under the offer.

Group trading profit increased from £10.33m to £11.11m and interest charged went up from £1.1m to £1.67m.

After tax up from £3.95m to £4.08m, stated earnings per 25p share are 10.7p (10.5p), and the interim dividend is unchanged at 2.65p—last year's total was 6.41p from pre-tax profits of £18.43m. Dividends absorb £1.78m (£1.23m). Minorities accounted for £389,000, against £406,000.

Results earned outside the UK, when translated into sterling, were again adversely affected by the continuing strength of the pound. Excluding Brazil and Argentina, where devaluation reflected very high rates of inflation, reported sales and profit before tax would have been £8.9m and £0.6m higher respectively using the average exchange rates for the first half of 1979.

Lex, Back Page

Tomatin loss after provision

HIGH INTEREST rates and the strong £ coupled with lower overseas sales cut 1980 first-half trading profit at Tomatin Distillers Company from £479,000 to £263,000. After a £340,000 stock provision this time, the malt whisky distiller was left showing a £77,000 pre-tax loss. Sales slipped from £6.52m to £5.94m.

The interim dividend is being omitted but Mr. A. P. de Boer, the chairman, says the directors would pay a final if the full-time results are better than currently envisaged and prospects for 1981 are more promising.

Last year a 1p interim and a net total of 3.75p was paid from profit of £840,000.

Current orders for new whisky are reduced so production is substantially lower compared with 1979, the chairman says. Should the prevailing depressed conditions in the industry persist into 1981 with no improvement foreseen for the year, the company will consider the value of its maturing stocks and this might give rise to a further provision of about £1m in the annual accounts.

However, it is now likely that restitutions to the whisky industry under the proposed EEC alcohol regime will be paid instead from the Community's cereal regime in 1981 and 1982. From this Tomatin would receive well in excess of £500,000.

After a tax credit of £40,000 (£249,000 charge) there was a net loss of £37,000, against £230,000 surplus, for the half-year.

Bunzl tumbles to £6m but increases interim

WITH TURNOVER down from £110.73m to £85.91m taxable profits of Bunzl Pulp and Paper dropped by £2.16m to £6.02m in the first half of 1980.

And the directors warn that results for the second six months of the year are likely to be lower than those of the first half.

Most of the benefits of the group's rationalisation programme will not be felt until next year, they say—adding that continuing operations, particularly in the UK and to a lesser extent overseas, are still facing difficult trading conditions.

However, the interim dividend is being raised from 3.83p to 4.21p net. Last time a total of 6.57p was paid from pre-tax profits of £13.28m.

Referring to the six months' results Mr. E. G. Beaumont, chairman, says over £400,000 of the fall was accounted for by the effect of strengthening sterling on the translation of overseas companies' results.

With profits abroad expressed in local currencies modestly up on the previous year, he says, virtually the whole of the balance of the decline was accounted for by UK manufacturing operations which have been hard hit by the current recession, particularly in the second quarter.

Given these conditions, Filtrona Textile Products—faced with the collapse of its principal market, the carpet industry—has been closed and Bunzl Telecommunications Services, whose highly specialised operation does not fit well into the group's principal fields of activity, is being sold, the chairman says.

Bunzl Data Systems is ceasing its external computing activities and will revert to providing an exclusively group service and arrangements are in hand for the sale of the bureau activities.

These companies were unlikely to earn an acceptable return in the short to medium term. But for the losses of these companies profit for the first half-year would have been £6,562,000, Mr. Beaumont adds. The additional financial resources freed by these actions and the sale of Bunzl and Biach AG will be used for acquisitions and internal development.

The profit for the half-year was struck after a share of associates of £1.54m (£1.59m) and net interest and dividends amounting to £185,000 (£518,000). It also included the results of the now-disposed of Bunzl and Biach AG.

Tax for the six months was marginally lower at £2.73m (£2.95m) leaving earnings per 25p share, before extraordinary items, of 11.3p (18.1p). Extraordinary debits are shown as £1.24m (£84,000), credits and minorities at £323,000 (£503,000). Trading profit was down from £7.73m to £5.21m.

Extraordinary items include provision for the costs of disposal or closure of discontinued operations amounting to £1,651,000. Currency losses of £1,649,000 representing the amount by which the sterling value of the group's net assets overseas have fallen during the first half of 1980, have been shown as a deduction from reserves.

Bunzl's main activities are the manufacture of cigarette filter materials, paper and paper products, packaging materials, plastic products and non-woven textiles.

● **comment**

With the proceeds of the Biach disposal acting as a valuable cushion, Bunzl has at least been able to absorb the cost of expensive closure and currency translation losses without undue stress. It leaves the balance sheet in a small net cash surplus but the upheavals in the carpet backing and data bureau businesses leave something of a question mark over the success of the recent diversification effort and, in the first half, the trend toward manufacturers'-own filter production in the UK has become more pronounced. The effect of this fundamental switch is hard to quantify, but it may have trimmed profits by some £800,000 and Bunzl now has to hope that the process has run its course in the UK and the growth of internationalism in the world cigarette markets will not impinge on its many small overseas customers. As it is, the merchanting arm is performing its usual contra-cyclical role (it must be worth materially more than its 19 per cent profit contribution of last year) but the shares (up 1p yesterday to 108p) are presumably relying on a good acquisition in the target flexible packaging market abroad. There is little more than average support in a 9.7 per cent prospective yield if the final

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Arncliffe Hldgs.	int.	1.12	Nov.21	1.12	—	2.66
Sidney C. Banks		3.5	—	3	5.25	4.5
Boustead	int.	0.5	Jan. 2	0.42*	—	1.25*
Brent Chemicals	int.	0.75†	Nov. 24	1	—	4.5
Bunzl Pulp	int.	4.21	Nov. 26	3.83	—	6.57
Jefferson Smurfit	int.	2.81	Dec. 29	2.81	—	9.35
Foseco Minsep	int.	2.65	Jan. 2	2.65	—	6.41
Ingall Industries		1.53	Jan.2	1.39	2.27	2.06
John Laing	int.	1	Nov. 17	1	—	2.88
S. Lyles		3.5	Jan. 2	3.5	5.5	5.3
Mitchell Cotts		2.96	Jan. 12	2.96	3.61	3.61
R.M.C.	int.	3.7	Dec. 1	3.35	—	8.25
Reyco Group	int.	1.5	Dec. 9	1.5	—	3.5
Saint Piran		1	—	1	2	2.5
Thomson Caravans	int.	nil	—	1.75	—	3.5
Tomatin	int.	nil	—	1	—	3.75
Watmoughs	int.	1.5†	Nov. 10	1.3	—	4.3
Whatman Reeve	int.	1.6	Nov. 3	1.6	—	3.5
Yorkgreen	int.	0.23†	Nov. 12	—	—	0.44

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

Waterford Glass profit down 11%

AS A RESULT of a 65 per cent increase from £929,000 to £1.53m in interest charges, pre-tax profits of Waterford Glass, the Irish manufacturer of lead crystal cut glassware, fell by 11 per cent from £5.11m to £4.5m in the six months to June 30, 1980. Turnover rose from £66.01m to £73.55m, an increase of 11.4 per cent.

The Board says demand for the company's crystal and china products remains buoyant, but the recession is continuing to affect results in the retail trade. Group profits for the year as a whole are not expected to reach last year's levels.

Depreciation was up from £643,000 to £732,000; tax was reduced from £1.18m to £793,000, and minorities accounted for £74,000 compared with £169,000.

Stated earnings per 5p share are 1.73p (1.77p), and the net interim dividend is unchanged at 0.6p, again absorbing £1.28m —last year's total was 1.511p from pre-tax profits of £11.64m.

● **comment**

Demand for crystal and china products continues to exceed the capacity of Waterford Glass to produce them and the group's motor distribution business at least maintained its sales in the first half. However, the contribution of the Switzer retail division, as revealed in the minority interest attributable to House of Fraser, was cut by more than one-half. The result would have been flat pre-tax profits for the group were it not for a 65 per cent increase in the interest charge. Waterford is hoping for a revival of retail trade in the fourth-quarter but is nevertheless resigned to a slight fall in profits for the year as a whole, perhaps to IR£8m, the group's first profit setback in 26 years. The shares fell 1p to 27p yesterday, near the 25p low for the year. The historic gross yield of 7 per cent provides little support but the low Irish tax charge is helpful.

32% downturn for Saint Piran

PRE-TAX PROFITS of Saint Piran, the controversial tin mining and property group, fell by 32 per cent to £2.81m in the year ended March 31, 1980 following a reduction of 34 per cent shown at the interim stage. The dividend is cut from 2.5p to 2p, with a final of 1p.

Turnover rose from £20.56m to £22.43m. After all charges including an extraordinary items and exchange adjustments totalling £681,000 (£57,000 credit), the net balance is down from £1.91m to £991,000. Earnings per 25p share are stated at 14.33p (15.92p).

The company—whose shares have been suspended at 65p since May 20—states that in view of legal and other difficulties being experienced over the group's investment in Thailand, post tax income of £249,000 from this source has been excluded from the figures in 1979-80, whereas £559,000 was included from this source in the previous year.

In addition a provision of £700,000 has been made on this investment and forms the main part of extraordinary items, the company states.

Saint Piran—which has been under investigation by the Department of Trade for the past nine months—had its shares suspended following the failure by Gasco Investments to adhere to a Takeover Panel instruction.

Pitney Bowes at £2.77m

TAXABLE profits of Essex-based Pitney Bowes, the postage meter, mailing and business machine manufacturer, jumped by 108 per cent from £1.33m to £2.77m in the first six months of 1980.

Sales during the half year showed a a 29 per cent jump to £16.01m, compared with £12.42m for the equivalent period of 1979, itself a record for the group.

However, Mr. T. J. Gilligan, the chairman, says current business conditions are such that it is by no means certain that these excellent results can be maintained for the rest of the year. But he forecasts that major product introductions during this year and those scheduled for early 1981 will consolidate the company's existing strong position in the British and European markets.

For the whole of 1979, pre-tax profits were £3.3m.

The surplus for the six months was struck after loan stock interest of £80,000 (£82,000) and interest received of £321,000 (£162,000).

Tax during the period showed an increase to £1.4m, compared with £604,000, leaving net profits up 87 per cent at £1.37m (£730,000).

Pitney Bowes whose loan stock is quoted on the Stock Exchange is a subsidiary of Pitney Bowes Inc of Stamford, Connecticut, which had a world-wide revenue of A$1.03m in 1979.

SPAIN

September 30	Price %	+ or −
Banco Bilbao	245	
Banco Central	270	
Banco Exterior	212	
Banco Hispano	232	
Banco Ind. Cat.	121	+1
Banco Madrid	141	
Banco Santander	275	
Banco Urquijo	136	−3
Banco Vizcaya	253	
Banco Zaragoza	248	
Dragados	111	
Espanola Zinc	72	
Fecsa	65.2	+1.0
Gal. Preciados	32	+0.5
Hidrola	68.7	
Iberduero	68	+0.3
Petroleos	117.5	+4.5
Petroliber	88.5	−1.5
Sogefisa	102	
Telefonica	63.5	
Union Elect.	69.5	+1.0

Jefferson Smurfit up marginally at midway

AS FORECAST at the annual meeting in June, first-half pre-tax profits of Jefferson Smurfit Group, the Dublin-based packaging, print and distribution group, showed a marginal increase over the same period of 1979.

Profits before tax for the period ended July 31 rose 9.4 per cent from IR£8.63m to £9.44m, while external sales jumped over 94 per cent to £202.64m. Substantial profit reductions were suffered in the UK and Ireland, where the group incurred very unfavourable trading conditions.

As a result, earnings per 25p share fell 31 per cent from 10.3p to 7.1p, reflecting the new mix of profitability from areas where tax rates are higher and substantial minorities exist.

Tax for the half year took £2.55m (£2.52m) while minorities rose sharply from £1.02m to £2.96m. After extraordinary credits of £0.24m (£0.12m) attributable earnings were down over £1m to £4.18m.

The net interim dividend is maintained at 2.812p per share, again absorbing £1.56m. Last year's total payment was 9.25p on record taxable profits of £18.06m.

Mr. M. W. J. Smurfit, the chairman, reports that the outcome for the current year remains uncertain and the group would do well to reflect the half-year's achievements. This would come from some better profits in the UK and Ireland offsetting reduced U.S. results.

As a result of the group's wide diversification, both by product and geographically, he believes it is well poised to emerge from the current recession in good shape.

The chairman comments that the group has sound financial policies, a healthy balance sheet (only nominal borrowings—net of cash—outside the U.S.) and substantial assets.

A major cost reduction programme has been implemented throughout the organisation and the board is determined to close or sell any operation which has not got a secure future within the group.

The group remains expansion minded—during the period under review it acquired Malladain Corrugated Cases in London and a majority holding in Gemini Publishing in the UK. Capital expenditure was up considerably compared to the same period last year.

● comment

Interim results of Jefferson Smurfit are unremarkable until the minority interests entry where suddenly a 13 per cent after-tax profit gain becomes a *23 per cent decline. It looks as* if Alton Box Board, the large U.S. board and packaging manufacturer in which Smurfit acquired a 51 per cent interest a year ago, has provided much of the group's profit. Alton's net earnings were doubled in the first half of 1980 and Smurfit acknowledges that volume was down in both the UK and Ireland. Smurfit is currently bidding for a further 29 per cent stake in Alton which wil reduce the minorities charge, but Alton is expected to show weaker results in the second half. Since there is still no sign of recovery in the UK or Ireland, the group would be pleased to produce pre-tax profits for the year of IR£19m, only 5 per cent ahead of last year. Capital spending is being maintained but the group is confident borrowing will not exceed 45 per cent of shareholders' funds, even if the Alton bid is accepted in full. The shares fell 4p yesterday to 163p where historical gross yield is about 7 per cent.

Royco slips and warns on year

MARGINALLY lower taxable profit of £2.45m, against £2.57m; is shown by Royco Group for the first half of 1980 on turnover £2.71m down at £7.35m.

However the directors of this property development and financing concern warn that *trading results in the second six* months are expected to be significantly lower than at midway because of reduced residential development and the timing of property sales. The pre-tax total last year soared from £2.84m to £5.27m.

Even so they point out that the group is in a strong position *for the future and sound progress* is being made with residential and commercial development for next year.

Several sites, including two properties in New York, have been bought recently and Royco has further funds available for investment.

A policy of restricting investment in anticipation of a downturn in the housing market has kept interest costs down, the directors say.

After tax of £1.27m (£1.33m) stated mid-year earnings per 5p share dipped to 5.89p (6.17p). The net interim is being maintained at 1.5p. The final last time was 2p.

Attributable surplus emerged at £1.18m (£1.24m).

STOCKLAKE

Because of a delay at one of the subsidiaries, the report and accounts of Stocklake Holdings will be delayed. It is expected they will be available on November 23.

S. Banks exceeds forecast

TAXABLE profits of grain merchant and seed specialist Sidney C. Banks rose to £867,000 in the 11 months to April 30, 1980—exceeding the chairman's forecast that the surplus should equal the £711,000 earned during the previous 12 months. At mid-year profits were ahead at *£569,000, compared with £545,000.*

The acting chairman, Mr. M. C. Banks, says the total crop of the current harvest is undoubtedly high and of variable quality. The company, he adds, is geared to meet the needs of both farmers and the grain trade and he looks to the future with confidence.

A final dividend of 3.5p lifts the total to 5.25p net, compared with 4.5p last time.

There was a tax charge for the 11 months of £194,000 (credit £70,000 for year), leaving stated earnings per 25p share down from 25.79p to 22.22p.

S. Lyles slides to £592,000

TAXABLE profits of carpet spinner and dyer S. Lyles slid from £962,646 to £592,352 in the first half of 1980 despite turnover little changed at £12.97m, compared with £12.91m.

In the home market sales reflected difficult conditions and fell to £7.6m, against £7.94m. But exports were at a record, rising from £4.98m to £5.37m.

The directors say that current output is satisfactory when viewed relatively to the difficult state of the company's trade. However, they say it is impos*sible to forecast future profits in* the present conditions.

They add that the company is in excellent shape to meet an upturn in demand when more normal trading conditions return.

They are maintaining the year's dividend at 5.5p net with a final payment of 3.5p.

Tax for the year took £310,300 (£423,200) leaving a net surplus of £282,052 (£539,446) and stated earnings per 20p share of 6.67p, against 14.35p.

Retained profit shows a drop from £321,532 to £42,347.

First half progress but Brent Chemicals cautious

A FIVE per cent increase from £1.45m to £1.52m in pre-tax profits is reported by Brent Chemicals International, manufacturer of industrial chemicals, for the six months to June 30. Sales rose by 24 per cent from £13.48m to £16.69m.

Mr. H. W. Cross, the chairman, says it is encouraging that the group has made progress in spite of adverse economic conditions. Although remaining cautious about the immediate effects of the present industrial recession, he says the board believes that there continue to be good opportunities for profitable *growth in some overseas* areas, especially in the civil and military aviation markets.

The pre-tax figure was struck after interest charges up from £71,000 to £237,000. After tax down from £61,000 to £563,000, minorities £33,000 (£21,000) and exchange losses amounting to £188,000 compared with £126,000, earnings attributable come out at £737,000 against £696,000.

Stated earnings per 10p share are up from 3.8p to 4p. The interim dividend is 0.75p on capital increased by the rights issue in May (1p on old capital).

Commenting on the first-half figures, Mr. Cross says lower demand in the UK, especially in the automotive, steel, engineering and brewing industries, has caused profits from these sectors to be less than planned.

Most of the overseas operations have performed well, and in several countries planned profits for the period have been exceeded. Consequently, the group has moved further towards its immediate objective of deriving at least 50 per cent of its sales and profits from overseas.

The group's financial position remains strong, and with the benefit of the successful rights issue certain overseas borrowings have been repaid. Working capital is under tight control and cash surpluses are available for financing expansion and for further acquisitions as opportunities occur.

● comment

A pre-tax rise of 5 per cent is *hardly cause for euphoria*, but Brent's profit record has been excellent over the past decade and its services continue to command premium fees despite recession. Overseas activities now account for around 40 per cent of business and the board is trying to bring this up to half of group sales. It was the overseas operations and Ardrox subsidiary at home which mainly accounted for the earnings growth. Defence-related business has increased healthily and aerospace is Brent's main area of future expansion. Automotive-related work did suffer in the first half and the overall UK unit sales volume suffered a drop of around 5 per cent despite its monetary rise. After paying off foreign borrowings the company retains some £2.2m from last spring's £3.8m rights issue; this is earning interest while the board goes over its short-list for possible acquisitions. At 140p, a year-end pre-tax of £3.2m would produce an earnings multiple of 21.9 on a full tax charge, pricey but justified by growth. The yield could come to 3.5 per cent on payment of 3.4p total net.

Whatman Reeve down at halfway

DESPITE an increase in turnover from £5.78m to £6.61m, taxable profits of Whatman Reeve Angel, laboratory supplies group, dropped from £476,000 to £255,000 for the first half of 1980.

After tax of £129,000 (£166,000) earnings per 25p share fell from 7.7p to 3.1p, but the interim dividend is being kept at 1.6p *net—last year's final was 1.9p.*

For 1979, taxable profits had fallen from £1m to £0.74m.

KIMPHER TO REPAY ITS 8% LOAN STOCK

Kimpher announces that arrangements are in hand to repay the £55,605 8 per cent unsecured loan stock, 1992-97, at par. It is intended that repayment, together with accrued interest, should be effected on October 31, 1980.

Watmoughs ahead and set for further progress

IN THE first half of 1980 profits *of Watmoughs (Holdings)* have risen by 12½ per cent to £625,000, and the directors believe that the final six months will make their contribution to a year of further progress for the group.

Mr. Patrick Walker, chairman, reports that demand for the company's products and services (colour printing, publishing and process engraving) continued at an encouraging level. Further progress has been made despite his previous forecast of substantially higher operating costs at D. H. Greaves during the commissioning of the new gravure press. Similarly, Watmoughs incurred additional expense in preparation for the installation of a new web offset capacity in the second half.

The interim dividend is increased from 1.3p to 1.5p as forecast on capital increased by the rights issue—a total of not less than 5p was indicated.

Turnover in the half year was £6.65m (£6m). After tax of £47,000 (£37,000) net profit came out at £578,000 (£518,000), and earnings are shown at 10.41p (10.1p) per share.

For the year 1979 the group made a pre-tax profit of £1.5m and paid a dividend of 4.8p.

Yorkgreen Inv. tops £120,000

Taxable profit of Yorkgreen Investments improved from £93,248 to £120,141 for the year to April 30, 1980. Sales by the company which has interests in *manufacturing lighting panels* and allied products for the building and electrical industries, advanced to £757,061 against £507,154.

Stated earnings per 10p share were 1.88p (1.44). At the same time the directors have declared a 0.21875p net interim dividend and say they hope to maintain the dividend *on capital doubled* by last year's rights issue. A 0.4375p dividend was paid for 1979-80 in October last year.

Expansion at Cement Roadstone

A SUBSTANTIAL extension to its Limerick cement plant is announced by Cement-Roadstone, the Irish building materials group with major interests in the UK and overseas.

The extension will add 650,000 tons per annum of capacity, and *is expected to cost some* IR£85m at current prices. It will take three years to complete and it is anticipated that financing and inflation over that period will increase the cost to the order of £130m by completion in 1983.

Cement-Roadstone has negotiated ample committed term facilities with domestic and international banks, thereby ensuring it can continue with its broadly based investment programme while undertaking the Limerick project.

UK COMPANY NEWS

RMC climbs by over £6m

MILD WEATHER helped Ready Mixed Concrete push 1980 first half taxable profit up by £6.31m to £21.52m. But, so far, in the second six months trading conditions, particularly in the UK, have become more difficult, Mr. J. Camden, the chairman, says.

Turnover by the group, which produces materials for the construction industry, rose £63m to £383m and operating surplus reached £23.91m (£17.28m) after depreciation of £14.08m (£11.51m).

Growth in the UK at the operating level was from £10.32m to £14.07m on sales of £196m (£169m) while in West Germany it was from £3.13m to £4.99m on £114m (£100m) sales and elsewhere from £3.65m to £4.24m on £73m (£60m).

Stated earnings per 25p came out at 13.3p (11.2p) and the net interim dividend is being stepped up to 3.7p (3.35p). Last time a total of 8.25p was paid, from £31.72m profit.

Profit was struck after £2.39m (£2.08m) interest and included £106,000 (£187,000) from property sales and £494,000 (£1,000 loss) share of associates.

Available surplus emerged at £10.66m (£9.67m) before dividends costing £2.98m (£2.63m).

Trading performance in the first quarter of 1979 had been affected by severe winter weather.

Lex, Back Page

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Anchor Chemical, A. F. Bulgin, Dinkie Heel, Hiltons Footwear, J.B. Holdings, Jove Investment Trust, Francis Sumner.

Finals: A. Beckman, Electronic Machine, James Halstead.

FUTURE DATES

Interims—	
Bronx Engineering	Oct. 9
Dominion and General Trust	Oct. 16
Finlan (John)	Oct. 9
House of Lerose	Oct. 8
Hunting Petroleum Services	Oct. 8
Jerome (S.)	Oct. 7
Lowland Investment	Oct. 17
Rockware	Oct. 8
Rugby Portland Cement	Oct. 13
Securities Trust of Scotland	Oct. 15
Trust Union	Oct. 22
Finals—	
Boulton (William)	Oct. 7
Kursaal	Oct. 9
London & Montrose Inv. Tst.	Oct. 16
Photo-Me International	Oct. 9
Town Securities	Oct. 9

Boustead ahead mid-year despite downturn in UK

FOLLOWING ON the chairman's comment in May that first-quarter results were in line with expectations, Boustead, investment holding company, raised pre-tax profits for the first half of 1980 from £1.19m to £1.36m, on turnover of £19.99m, against £15.77m.

The result was struck after after exchange losses of £90,000 arising on conversion of overseas results, interest charges up from £121,000 to £301,000 and increased share of associates' losses of £186,000 (£4,000).

The directors say the outlook in the UK for the rest of 1980 is uncertain and difficult to anticipate the effect on the group's results. However, they are confident that the diversity of the group's operations will help compensate for the downturn in this area.

Industrial operations in the UK had a good start to 1980, but were affected in the second quarter by sharp reduction in demand. Results of the other UK subsidiaries were in line with expectations and Taiping Estate's profits rose 11 per cent on the same period of 1979.

The Boustead Company Singapore group increased profits by around 30 per cent.

Earnings improved in Australia and New Zealand.

Half yearly earnings per 10p share slipped from 1.51p to 1.45p on a net basis, but the interim dividend is effectively lifted from 0.42p to 0.5p net.

Tax for the period was up from £480,000 to £679,000, while minorities took £199,000 (£205,000).

Webber ahead of budget

Webber Electro Components, in which dealings began last March under the Stock Exchange's Rule 163(2) following a placing of 600,000 ordinary shares, was ahead of budget in the six months to end-March, 1980.

The company announces that trading has continued satisfactorily in the second half and results for the year are expected to be comfortably ahead of the prospectus forecast of £140,000 pre-tax. An interim dividend of 2.5p gross will be paid on October 31.

Webber is the UK's only major manufacturer of automatic solenoid valves.

LONDON TRADED OPTIONS

Option	Ex'rcise price	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol.	Equity close
BP	300	94	7	180	—	—	—	388p
BP	330	64	20	86	—	94	—	"
BP	360	34	56	58	—	72	—	"
BP	390	14	66	38	81	54	—	"
Com. Union	160	14	12	23	—	28	2	172p
Cons. Gold	500	150	—	175	2	190	—	647p
Cons. Gold	550	100	—	130	14	155	—	"
Cons. Gold	600	52	17	95	6	125	—	"
Cons. Gold	650	19	35	67	10	93	3	"
Courtaulds	50	8½	1	11	—	14	—	58p
Courtaulds	60	2½	5	6½	35	8½	—	"
Courtaulds	70	½	16	3	—	6	9	"
GEC	460	65	1	90	—	106	—	517p
Grand Met.	160	1½	26	7	15	15	—	150p
ICI	360	6	8	23	7	30	2	347p
ICI	390	¾	32	13	1	20	3	"
Land Secs.	325	55	—	73	2	—	—	372p
Land Secs.	353	25	2	50	—	—	—	"
Land Secs.	390	7	10	29	5	43	—	"
Marks & Sp.	90	14½	—	17½	2	23	—	103p
Marks & Sp.	100	5	45	11½	—	17	4	"
Marks & Sp.	110	2½	—	6½	12	12	—	"
Shell	450	3	—	21	5	50	—	415p
Totals			359		197		23	
		November		February		May		
Imperial Gp.	80	3½	7	7½	—	9½	—	76p
Imperial Gp.	90	¾	—	3½	—	4½	2	"
Lonrho	94	20	264	27	6	—	—	113p
Lonrho	100	—	—	—	—	25	3	"
Lonrho	104	13	63	21	15	—	—	"
Lonrho	110	—	—	—	—	21	2	"
Lonrho	114	6½	76	14	60	—	—	"
P. & O.	110	14½	3	16½	—	—	—	121p
P. & O.	120	6½	20	12	—	—	—	"
Racal Elec.	300	26	1	42	—	54	—	307p
RTZ	384	80	—	95	1	—	—	454p
RTZ	454	30	1	50	—	70	—	"
RTZ	494	10	5	30	1	50	—	"
Totals			440		83		7	

Beaumont Properties at £0.77m

A RISE of £113,500 to £767,000 in pre-tax profits is reported by Beaumont Properties for the half-year to March 31, 1980. Gross revenue amounted to £1.22m compared with £938,500, with property revenue contributing £1.01m against £838,000.

Property trading showed a substantial increase from £31,500 to £130,000, and quoted investment income doubled to £22,000. Associates share of the profits was virtually unchanged at £60,000 (£58,000).

The pre-tax figure is struck after interest charges up from £285,000 to £455,000.

Despite the abnormally high interest rates which have prevailed during the current financial year, Mr. J. Hugh Jones, the new chairman, says he expects results for the full year to show some improvement.

After tax up from £286,000 to £360,000, net profits came out at £407,000 compared with £367,500. Stated earnings per 25p share are 2.85p (2.59p), and as known, the interim dividend is unchanged at 1.5p net—last year's total was 4.5p from pre-tax profits of £1.27m. Dividends absorb £216,115 this time.

A RISE of £113,500 to £767,000

Ingall at £0.4m after recovery

AFTER A fall midyear from £131,000 to £91,000 taxable profits of Ingall Industries finished the year to end-June, 1980, virtually unchanged at £434,560, against £437,895.

Turnover of this light engineer and funeral furnishings manufacturer rose during the period from £4.67m to £4.9m.

The final dividend is increased from 1.39p to 1.53p, making 2.27p net for the year, compared with 2.06p. The increase is in line with the midyear forecast.

Tax for the 12 months showed a reduction to £235,730 (£252,290) leaving stated earnings per 10p share of 3.71p (3.47p).

Turnover of the engineering side fell back from £1.72m to £1.53m, leaving an operating profit of £44,797, compared with £200,040. But funeral furnishings' turnover increased to £3.37m (£2.95m) with profits £145,581 higher at £549,614.

The extraordinary item relates to costs net of tax in connection with the closure of a factory in Wolverhampton.

Arncliffe down as higher interest bites

With interest charges climbing from £6,549 to £89,958, pre-tax profits of Arncliffe Holdings, the Leeds-based property developer and building contractor, have fallen from £337,854 to £158,495 in the half-year to April 30, 1980. Turnover rose from £2m to £2.46m.

Due to the incidence of stock appreciation relief, it is anticipated that no tax will be payable apart from ACT on the interim dividend.

Mr. Manny Cussins, the chairman, says the recession has adversely affected both sales and profit; and this has continued into the second half. Nevertheless, he is satisfied that the group has the strength and ability to withstand present conditions and to respond to any increased demand as the economy improves.

He blames the substantial increase in interest payments on land bank, which at April 30 had increased by over £1m compared with the corresponding figure last year. The decision to increase the land bank will, despite its short-term adverse effects on profits, enable the company to expand the number of sites on which it can build.

The net interim dividend is unchanged at 1.12p—last year's total was 2.66p from pre-tax profits of £656,176 (£655,928).

Mitchell Cotts over £9m after engineering boost

MAINLY REFLECTING its developing international engineering activities, pre-tax profits of Mitchell Cotts Group increased 26 per cent from £7.16m to £9.02m for the year ended June 30, 1980, on turnover of £249.86m, against £266.08m. First-half profits had risen from £2.67m to £2.98m.

A divisional analysis of the year's turnover and profits shows (in £000's):—engineering £115,049 (£86,503) and £7,965 (£4,933); transportation £119,529 (£109,617) and £3,389 (£2,985), and trading £60,281 (£69,959) and £1,265 (£2,180). Engineering contributed 63 per cent (49 per cent) of total profits, transportation 27 per cent (30 per cent) and trading 10 per cent (21 per cent).

The results have been boosted by the thriving operations in South Africa, which now include the Clifford Harris Group acquired during the year. The figures, however, do not include a full contribution from this acquisition, the full impact of which will not be felt until the end of the current year. Profits for 1979-80 from South Africa jumped from £4.39m to £8.07m.

UK profits increased from £3.03m to £3.28m despite current economic problems. Results for Belgium and Australia were disappointing primarily due to record levels of interest in conditions of depressed activity. The combined result from Belgium, the Americas and Australasia showed a loss of £155,000 (£264,000 profit). Profits from East and Central Africa fell from £2.41m to £1.42m.

The directors say some overall improvement is expected in the current year, although much depends upon the state of the British and Belgian economies.

The group's companies outside South Africa will find it difficult to maintain present levels, they state, but the South African group, which represents an important element of the total, should continue to take advantage of the boom conditions in that part of the world. Further improvement is looked for from that source and the group is also hopeful that its activities in Australia will produce improved profits.

With earnings per 25p share up slightly from 6.24p to 6.57p, the dividend total is being maintained at 3.61125p net with an unchanged final of 2.955p.

Reflecting the strong financial controls throughout the group, total interest charge was reduced at £4.32m (£4.4m).

	Year 1979-80 £000	1978-79 £000
Turnover	294,859	266,079
Profit	12,559	11,071
Interest	4,318	4,400
Share assocs.' profits	775	486
Profit before tax	9,016	7,157
Taxation	3,961	3,122
Net profit	5,055	4,035
To minorities	1,538	719
Extraordinary debit	223	*2,494
Attributable profit	3,294	5,810
Dividends	1,952	1,947
Retained	1,342	3,863

* Credit.

During the year, the group reached agreement with the Ugandan Government in respect of its tea estate nationalised by the Amin regime in 1972. As part of this £6.9m settlement, Mitchell Cotts has accepted shares valued at £4.2m representing 49 per cent of a new company, the Toro and Mityana Tea Company, of which the Government owns 51 per cent. The group carries responsibility for management and sales.

Although this settlement produces a considerable surplus over book values, the directors have thought it prudent not to take credit for this in the accounts at this stage.

● comment

Mitchell Cotts has been anxious to switch its status from an income to a growth stock but it still yields 11.3 per cent historically on an unchanged and comfortably covered dividend and the south-after transformation may take some time. The revaluation of Ugandan tea acreage could have a material impact; they group, after all, owns the largest tea factory in the world and its plantations cover 6,000 acres. But the benefits of the settlement will take about three or four years to arrive and of probably greater importance will be the realisation of project and process engineering contract expectations in key mining areas such as Australia and South Africa. The latter is clearly progressing well enough with the benefit of acquisitions and should make further advance this year. The rise in overall debt has probably been limited to around 5 per cent and the group reckons that the UK operations, vital element of future dividend paying capacity, have been pared back sufficiently to cope with the recession. At the same time, the quality of earnings has not been necessarily impaired by the diminution of trading activity earnings and there should be some support for the shares at 48½p, down ½p yesterday, on a p/e of just under 7 taking the reported tax charge.

Mersey Docks not legally bound to redeem loan stock from rents

THE Mersey Docks and Harbour Company has told its dissatisfied loan stock holders that it is under no legal obligation to redeem its loan stock from its rental income. However, it has hinted that it might be able to make some redemptions in 1982 from further land sales.

Under the terms of the 1974 capital reconstruction, the company's debenture stock was written down by 60 per cent and as partial compensation stockholders received £20m of redeemable subordinated unsecured loan stock.

It was intended to redeem the loan stock from the proceeds of any sales of surplus docklands. So far, stockholders have only received 8p in the pound of loan stock and only 2.5p has been as a direct result of property sales.

As a result of the depressed property market on Merseyside, the company has held on to most of its land and intends to lease it for development. An option has been granted to Gerald Zisman Associates to take a 125-year lease of some 50 acres, including the Albert Warehouses. The Zisman scheme is to be the subject of a public inquiry next month.

Many stockholders believe that this strategy is contrary to the spirit of the 1974 agreement since they receive no direct benefit from any leasehold or rental income. The stockholders committee and others have been pressing for the rental income to be used to redeem the unsecured loan stock, of which £18.4m is outstanding.

However, the Mersey Docks and Harbour Company yesterday told a meeting of the stockholders committee that both itself and its auditors have independently taken counsel's advice on whether the terms of the 1974 scheme impose a legal obligation to do so and both have been advised that it does not.

The company says that "it is hoped that some proceeds of sale of land may be achieved next year to enable some redemption in 1982."

Another complicating factor for loan stockholders is that an Urban Development Corporation (UDC) is to be established for Merseyside and this will probably take in some of the dock company's property.

Discussions have started with the Department of the Environment about the policy which the UDC will follow, particularly in relation to the acquisition of legal interests.

The docks company does not think that this will become clear until the UDC is established early next year.

NW Shelf go-ahead official

THE PARTICIPANTS in the massive North West Shelf natural gas project off the coast of Western Australia have finally committed themselves to development although the major contract to supply liquefied natural gas (LNG) to Japanese utilities is still to be finalised, reports James Forth from Sydney.

Contracts were completed yesterday between the joint venturers in the project and the State Energy Commission for the sale of 10.9m cubic metres of natural gas a day which would supply Perth and the South West and Pilbara regions of Western Australia in 1984.

The contract will generate revenue of about A$500m (£245m) a year and is the basis on which the Australian company Woodside Petroleum, which has 50 per cent of the venture, recently obtained a U.S.$1.3bn syndicated project loan. The partners added that negotiations on LNG sales contracts were currently in progress and draft letters of intent had been exchanged with eight Japanese power and gas utilities, with supplies starting in 1986.

The project would produce 6m tonnes of LNG annually, 1.4m tonnes a year of condensate (a liquid similar to light crude oil) and 640,000 tonnes of liquefied petroleum gas.

The capital cost of the project, including a fleet of seven specialised LNG tankers, was estimated at A$5bn. In January 1980 terms and A$8bn in money of the day terms.

The participants besides Woodside are BP Petroleum Development Australia and California Asiatic Oil, each 16⅔ per cent, Shell Development (Aust.) and Hematite Petroleum (a subsidiary of Broken Hill Proprietary) each 8⅓ per cent.

At a ceremony in Perth yesterday the partners said the condensate from the shelf project was expected to find a ready market in Australia and the LPG would only be exported if suitable local markets could not be found.

The West Australian Gas and the condensate and LPG produced would have an energy content equivalent to about 25 per cent of indigenous crude oil production in 1979. The production and sale of LNG would establish a major new trade with anticipated foreign exchange earnings of the same order of magnitude as some of Australia's existing major export commodities, such as wheat, wool, iron ore or coal.

The major components of the project would be an offshore production platform on the North Rankin gas field, 135 km offshore from the port of Dampier, to supply pipeline gas to West Australia markets in 1984, a second platform at North Rankin to enable the LNG exports and a third back-up platform on the nearby Goodwyn gas field.

Improvement for Dunlop Australia

Operating profit of Dunlop Australia improved marginally from A$21.06m to $21.44m in the year ending June 30, 1980. Sales during the period increased to $724.22m, compared with $637m.

The surplus was struck after a much bigger tax charge of $15.27m ($9.53m), minorities of $1.22m ($1.15m) and interest of $7.86m ($7.07m).

A final dividend of 4 cents makes a total of 7.5 cents for the year (7 cents).

BASE LENDING RATES

A.B.N. Bank 16 %
Allied Irish Bank 16 %
American Express Bk. 16 %
Amro Bank 16 %
Henry Ansbacher 16 %
A P Bank Ltd. 16 %
■ Arbuthnot Latham 16 %
Associates Cap. Corp. 16 %
Banco de Bilbao 16 %
Bank of Credit & Cmce. 16 %
Bank of Cyprus 16 %
Bank of N.S.W. 16 %
Banque Belge Ltd. 16 %
Banque du Rhone et de la Tamise S.A. 16½%
Barclays Bank 16 %
Bremar Holdings Ltd. 17 %
Brit. Bank of Mid. East 16 %
■ Brown Shipley 16 %
Canada Perm't Trust 17 %
Cayzer Ltd. 16 %
Cedar Holdings 16 %
■ Charterhouse Japhet 16 %
Choulartons 16 %
C. E. Coates 16 %
Consolidated Credits 16 %
Co-operative Bank *16 %
Corinthian Secs. 16 %
The Cyprus Popular Bk. 16 %
Duncan Lawrie 16 %
Eagil Trust 16 %
E. T. Trust Limited 16 %
First Nat. Fin. Corp. 18 %
First Nat. Secs. Ltd. 18 %
Robert Fraser 16 %
Antony Gibbs 16 %
Greyhound Guaranty 16 %
Grindlays Bank ‡16 %
■ Guinness Mahon 16 %
■ Hambros Bank 16 %
■ Hill Samuel §16 %
C. Hoare & Co. †16 %
Hongkong & Shanghai 16 %
Industrial Bk. of Scot. 16½%
Keyser Ullmann 16 %
Knowsley & Co. Ltd. 18 %
Langris Trust Ltd. 16 %
Lloyds Bank 16 %
Edward Manson & Co. 17 %
Midland Bank 16 %
■ Samuel Montagu 16 %
■ Morgan Grenfell 16 %
National Westminster 16 %
Norwich General Trust 16 %
P. S. Refson & Co. 16 %
Rossminster 16 %
Ryl. Bk. Canada (Ldn.) 16 %
Schlesinger Limited 16 %
E. S. Schwab 16 %
Security Trust Co. Ltd. 17 %
Standard Chartered 16 %
Trade Dev. Bank 16 %
Trustee Savings Bank 16 %
Twentieth Century Bk. 16 %
United Bank of Kuwait 16 %
Whiteaway Laidlaw 16½%
Williams & Glyn's 16 %
Wintrust Secs. Ltd. 16 %
Yorkshire Bank 16 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 14%, 1-month deposits 14¼%.
† 7-day deposits on sums of £10,000 and under 14%, up to £50,000 14½% and over £50,000 15%.
‡ Call deposits over £1,000 14%.
§ Demand deposits 14½%.

APPOINTMENTS

Beecham main Board posts

Mr. R. M. Gerber and Mr. J. W. Robb have been appointed directors of BEECHAM GROUP.

Mr. Gerber is chairman of the European division of Beecham Pharmaceuticals and is responsible for the group's pharmaceuticals business in Continental Western Europe. Mr. Robb was in charge of the consumer products businesses in the Far East and then Latin America before being appointed managing director of the food and drink division of Beecham Products in 1976. He has now become chairman of the division.

★

Mr. R. Proctor has retired as director and as company secretary of ELECO HOLDINGS.

★

Mr. Jean-Conrad Lemaitre, vice-president, has been appointed head of CHEMICAL BANK's Nordic and Netherlands division, in succession to Mr. David Lupton, vice-president, who has become head of the London-based correspondent banking group of Chemical Bank.

★

Mr. Sigvard Lindberg has been appointed managing director of SODIK-ASEA (Nigeria), Lagos. ASEA has a 40 er cent holding in the company.

★

Mr. Padraic White is to become managing director of Ireland's INDUSTRIAL DEVELOPMENT AUTHORITY (IDA) from February 19, 1981, when the resignation of the present managing director, Mr. Michael Killeen, becomes effective.

Comsat switch

Mr. John A. Johnson, chairman and chief executive officer of COMSAT GENERAL CORPORATION, has retired and Mr. Richard S. Bodman has become president and chief executive officer.

★

Dr. Gordon Whitfield has been appointed director of technology at DIAMOND SHAMROCK EUROPE, Eccles, Manchester. He was formerly technical and planning manager of ICI's petrochemicals division.

★

The Secretary for Trade has appointed Dame Elizabeth Ackroyd to be chairman of the CINEMATOGRAPH FILMS COUNCIL from January 1, 1981. She succeeds Mr. Allan Grant who resigns from the Council at the end of this year.

★

LETRASET has made the following appointments: Mr. John D. Bardner is appointed group managing director. Previously he was managing director of the graphics division. Mr. Tony R. Philipson succeeds him as managing director of graphics division. Mr. Philip Vivian has become group personnel director and Mr. Steve Alsford has been appointed director of European operations—graphics division.

★

Mr. E. W. Lumb, managing director of Blakey's Malleable Castings division of the company, and joint managing director of A.I. Metal Products, has been appointed a director of the holding company, A.I. INDUSTRIAL PRODUCTS. Mr. J. K. Warburton, formerly group finance director of Edgar Allen, Balfour, and director of subsidiary companies has been appointed finance director of the group.

★

Mr. Mark Cornwall-Jones has been appointed as a non-executive director of PRITCHARD SERVICES GROUP. Mr. Cornwall-Jones is deputy chairman of John Govett and Co.

★

Mr. M. C. Clifford, Mr. S. J. Hirst and Mr. A. G. Jarvis have been appointed directors of SEDGWICK CARGO.

★

Mr. W. R. Chambers, head of project advisory services, Mr. K. R. Dovey, head of shipping finance, and Mr. N. Vaskevitch, head of the acquisitions section within the corporate finance department, have been appointed to the Board of HILL SAMUEL AND CO.

★

Mr. Martin Bryant has been appointed general manager of the CO-OPERATIVE WHOLESALE SOCIETY'S GROCERY GROUP. Currently chief executive of the frozen food division of Brooke Bond Liebig. Mr. Bryant takes up his new post on October 6. He will be based at the CWS headquarters in Manchester.

★

Mr. T. M. Chase has been appointed senior manager, industry services, LLOYDS BANK INTERNATIONAL. He will be responsible for aircraft and ship finance and for establishing LBI's international overseas leasing operations. Mr. A. Barnes, formerly deputy chief manager, has been appointed chief manager, Lloyds Leasing.

★

BRITISH WATERWAYS BOARD has appointed Mr. J. B. Gowshall as director of finance. Mr. Gowshall was formerly group finance director of Negretti and Zambra.

★

Mr. David E. Franklin has been appointed an executive director of ANTHONY WIELER AND CO.

★

Mr. Malcolm J. J. Arney has been appointed actuary and director of PROVIDENCE CAPITOL.

★

At a board meeting of HAMPSON INDUSTRIES Mr. J. M. Wardle, who has been acting chairman since the death of Mr. T. Hampson Silk, was appointed chairman. Mr. Wardle's appointment is not purely non-executive as he will act as executive chairman on a part-time basis.

★

Mr. Neil Brittain has been appointed a director of WAKEFIELD MANAGEMENT SERVICES.

★

Mr. Ken Chambers, chairman of United Agricultural Merchants and vice-chairman of BOCM Silcock, has retired after more than 41 years with UNILEVER.

★

Mr. E. N. J. McCorquodale, vice chairman of McCorquodale and Co., has been appointed chairman of the McCORQUODALE management board responsible for the group's plastic, engineering, general printing and packaging interests in succession to Mr. J. A. K. Cox, who has retired. Mr. Cox has been succeeded as chairman of McCorquodale (Scotland) by Mr. J. O. Letton.

★

Following the retirement of Mr. Donald Walker, Mr. Harry Lomas has succeeded him as operations director of A. KITCHEN-D. WALKER, a member-company of the John Brown heavy machine tool division.

Ashcroft moves

Mr. Philip Ashcroft, former top legal adviser in the Department of Energy, has been appointed deputy to the solicitor of the POST OFFICE. This is a newly-created post, in the light of the Government's announced intention to separate the postal and telecommunications sides of the Post Office. It is expected that Mr. Ashcroft will become the solicitor of British Telecom upon the retirement of the present Post Office solicitor, Mr. Saul Rothstein.

★

Following the appointment of Mr. T. P. Hughes as permanent secretary to the Welsh Office, the post of deputy secretary, ROADS AND LOCAL TRANSPORT, in the Department of Transport is to be filled by Mr. J. E. Hannigan.

★

PROPERTY PARTNERSHIPS has appointed Mr. N. W. Roskill to the Board as a non-executive director. Mr. A. A. Blyth, company secretary and Mr. D. T. A. Tann, projects manager, have been appointed associate directors of the company's principal subsidiary, Property Partnerships (Hotels).

★

Mr. Michael J. Blakely has been appointed a director of MARINE NAVIGATION COMPANY (European representatives of the World-Wide Shipping Group) from October 1.

★

Mr. Andrew Hamilton, general manager of REGA METAL PRODUCTS, of Biggleswade, has been appointed commercial director.

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BIDS AND DEALS

Tilling expands sand interests

Thomas Tilling, the industrial holding group, has turned its takeover attentions back from the U.S. to this side of the Atlantic with the £12.4m purchase of two privately-owned sand quarrying companies, Hinckleys and Sevenoaks Brickworks.

The two companies, which have net tangible assets of around £12 including cash and short term securities of £2.65m will form part of Tilcon, the group's minerals and construction materials subsidiary.

Tilling has paid for the companies through the issue of 4.15m of its own shares, with the remaining £5.56m in cash.

Hinckleys owns substantial deposits of high grade silica sand in Cheshire and supplies the foundry industry under the *Windsor Rose Sands* trade name. Tilcon itself has foundry sand operations in the Midlands, the North East, and Scotland.

Sevenoaks Brickworks, which sold off its remaining brickmaking activities this year, is now solely engaged in the quarrying and supply of high quality building sand from its large deposit in Kent.

Tilling said the purchase would give Tilcon extended markets and security of supply of materials for its ready-mixed mortar business in south east England.

Readicut paying up to £2m cash for Snappies

Readicut International, the rug kits and specialist textile products group, is paying up to a maximum of £2m for the business of Snappies, a leading manufacturer of kitchen products.

Snappies went into receivership in July, together with its parent company Empress Products, because of an acute cash flow shortage resulting from difficult trading conditions in the UK retail trade. But the receiver, Mr. Michael Arnold, of Arthur Young McClelland Moores and Co., kept the company trading and is understood to be making profits.

Readicut — which was one of a number of parties interested in buying the company — intends to transfer the Snappies plant from Manchester to Huddersfield where it will complement Readicut's own Readipak, a company in the same line of business as Snappies — freezer bags, bin liners, cling film covering foil and greaseproof paper products. Readicut said yesterday that the combined operation would give the group a 15 to 20 per cent share of the market for these type of kitchen products.

Readicut is paying some £1.75m cash for Snappies plus a further sum not exceeding £250,000 also payable in cash upon the completion of a final stock take.

GLOBE/ELECTRA

The offer for sale by Globe Investment Trust of 70m of its holding of ordinary stock units in Electra Investment Trust has been approved by Globe holders. Electra has passed the resolution increasing the share capital and authorising a scrip issue.

The Stock Exchange has admitted 97,809,600 new ordinary stock units of Electra to the Official List. The offer for sale is, therefore, unconditional and letters of acceptance have been despatched and dealings will commence today.

LADBROKE SHARE BLOCK SOLD

A block of 400,000 shares in Ladbroke Group, worth around £840,000 at the latest market price, has been sold by the wife of the chairman and managing director, Mr. Cyril Stein.

The leisure group's annual report for the financial year to January 1, 1980, shows that the Stein family then owned more than 1.8m shares, or 3.2 per cent of the equity, a stake unchanged since the previous year.

Blue Circle decision today

Blue Circle Industries, the cement group, should know today whether the Monopolies Commission has given the go-ahead for its bid for sanitary ware company Armitage Shanks.

It seems likely that Blue Circle will finally receive official approval for its offer, agreed by Armitage Shanks and a majority of shareholders when made in January though not by the Lebanese owners of 28 per cent of the Armitage shares.

But the subsequent rise in Blue Circle's share price means that the bid for Armitage would, on the original terms, value the company at over £36.5m against the £33m obtaining when the surprise reference to the Monopolies Commission was made at the end of February. So Blue Circle may well want to reconsider the bid terms.

Blue Circle's shares then stood at 314p. Yesterday, the price was 348p, down 4p on the day. Those of Armitage gained 2p yesterday to 108p; when the monopolies reference was announced, they lost 24p in a day to 77p.

BIT IN £12.6M PROPERTY SALES

Seven properties have been sold by British Investment Trust in two deals worth a total of £12.63m. A portfolio of six of the properties were acquired by Rosehaugh Company offshoot Bolansbourne for £9.88m. The seventh was sold for £2.75m.

In a subsequent deal Bolansbourne has sold two of the properties for £7.2m cash. This company intends to restructure and improve the remainder of the portfolio with a view to further disposals. The principal property retained is a long leasehold office building in Victoria, London, SW, which is let to a statutory authority.

The vendors in the original deals were BIT's wholly owned subsidiaries Monarch Properties (Edinburgh) and Second Monarch Properties (Edinburgh) with the seventh property being held through Oballit Investments, a subsidiary of Monarch.

Bolansbourne is to pay £8.38m cash and the balance of £1.5m at its option in either cash or by a placement of new ordinary shares in Rosehaugh.

Apart from the net proceeds of its subsequent sales the balance of cash required by Bolansbourne is being provided as to about £500,000 out of Rosehaugh's own resources; £750,000 by a five-year loan from an associate of the vendors, secured by a mortgage, and the rest by a bank term loan.

BIT intends to reinvest the proceeds of the sales in stock market securities.

Two New York property deals by Crouch Grp.

At the annual meeting of Crouch Group, the international property development and construction group, Mr. Ronald Clempson, the chairman, gave shareholders details of the sale by its overseas subsidiary of two office properties in New York which had made "very satisfactory profits."

The first was the sale of a partly occupied office block in Central Manhattan, for $1.8m. The property had only recently been acquired by the group's overseas subsidiary of $1.5m and it had been the intention to obtain possession of and refurbish it for subsequent re-sale, said Mr. Clempson.

"Whilst not normally seeking short-term dealing opportunities, we became aware of a considerable amount of interest from other parties in the block and felt that the opportunity of making a satisfactory profit should be taken," he added.

Members were also told that the overseas subsidiary had formally contracted to sell its office development at Maiden Lane in New York for $7m. This had been acquired some 18 months ago for $4.1m and, allowing for the cost of refurbishment, should show a good profit for the company in excess of $2m.

Mr. Clempson said both these transactions were due for completion in November and it was intended that the resultant funds be used to continue the activities in the North American property market.

MINING NEWS

Gold Fields still aims to beat inflation

BY KENNETH MARSTON, MINING EDITOR

"WE WERE again able to reach rates of growth of earnings and dividends that substantially outpaced inflation. We intend to continue this performance," so say Lord Erroll and Mr. Rudolph Agnew, respectively chairman and chief executive of London's Consolidated Gold Fields in the mining and industrial group's annual report for the year to June 30.

In the past year the group's important South African gold interests — they include a 19 per cent stake in West Driefontein which has so far produced over 1,500 tonnes of gold, more than two years' total annual South African output at current rates — contributed over half the total net profit. But all the oher major sectors played their part in the record earnings.

This year the UK, Australian and North American interests look like earnings their keep but with world winds of recession blowing they cannot be expected to break any records. So gold will again be the major factor in the group's confidence.

Looking further ahead, Gold Fields intends to continue to follow a policy of investing in resources which it feels may become relatively scarce in due course, even if such resources are unfashionable at the moment. It cites the case of building aggregates which were far from scarce ten years ago and which have provided a good income for Gold Fields in more recent times.

The main focus of the group's current exploration is gold with important secondary targets being silver, tin, coal and "certain base metals." Whether these fit in with the definition of future scarcity is a moot point. But the group also intends to "invest some of our financial resources in further strategic acquisitions which will strengthen our future ability to achieve real earnings growth."

At the moment the Gold Fields has no plans to call upon shareholders for further funds, even though these investors now include the well-breeched Anglo American Corporation group with a holding of some 25 per cent.

Gold Fields takes the view that the Anglo camp is prepared to go along with its investment and will avoid the temptation to influence policy. This is not to say, however, that Anglo will not offer new business opportunities.

Gold Fields has good reason to feel that it will weather the present economic storms as well as, or better than, most companies. For this reason the modest dividend yield of 5 per cent is justified.

But it is the group's future earnings prospects that will count and in this respect the young Black Mountain base metal operation with its expansion potential in South Africa's arid north-west Cape could be very important.

The Gold Fields' annual meeting will be held at the Dorchester Hotel in London at 11.30 am on November 12.

Impala Platinum is cautious

A CAUTIOUS line is taken on platinum by Mr. Ted Pavitt, the chairman of the South African General Mining Union Corporation group's Impala Platinum, who succeeds, as chairman, Mr. Ian Greig. He points to the relatively depressed state of major platinum customers, the U.S. automobile industry and the Japanese jewellery industry.

But he still expects Impala's results for the current year to show "a small improvement" over the record R119.2m (£66.2m) earned in the year to June 30. Mr. Pavitt confirms earlier reports in this column that Impala's platinum production for the current year could reach 95,000 ozs compared with 870,000 ozs in 1979-80.

Impala, in conjunction with Canada's Sherritt Gordon Mines, is shortly to start work on the construction at the nickel-copper refinery at Springs, South Africa, of a plant for the recovery of cobalt metal.

Electrification of the mine railway system is also to be carried out. This work together with the platinum expansion will lift the current year's capital spending to around R40m.

Political and economic forces, such as those affecting gold, have driven up the free market price of platinum which, although below its peak levels, is currently about $680 an ounce compared with the producer level of $475 charged by Impala and the other major Western mines. Impala shares were 18p down at 520p yesterday.

Hill Samuel Life new business

A variable new business pattern for the year to March 31, 1980 is reported by Hill Samuel Life Assurance, a member of the Hill Samuel Group.

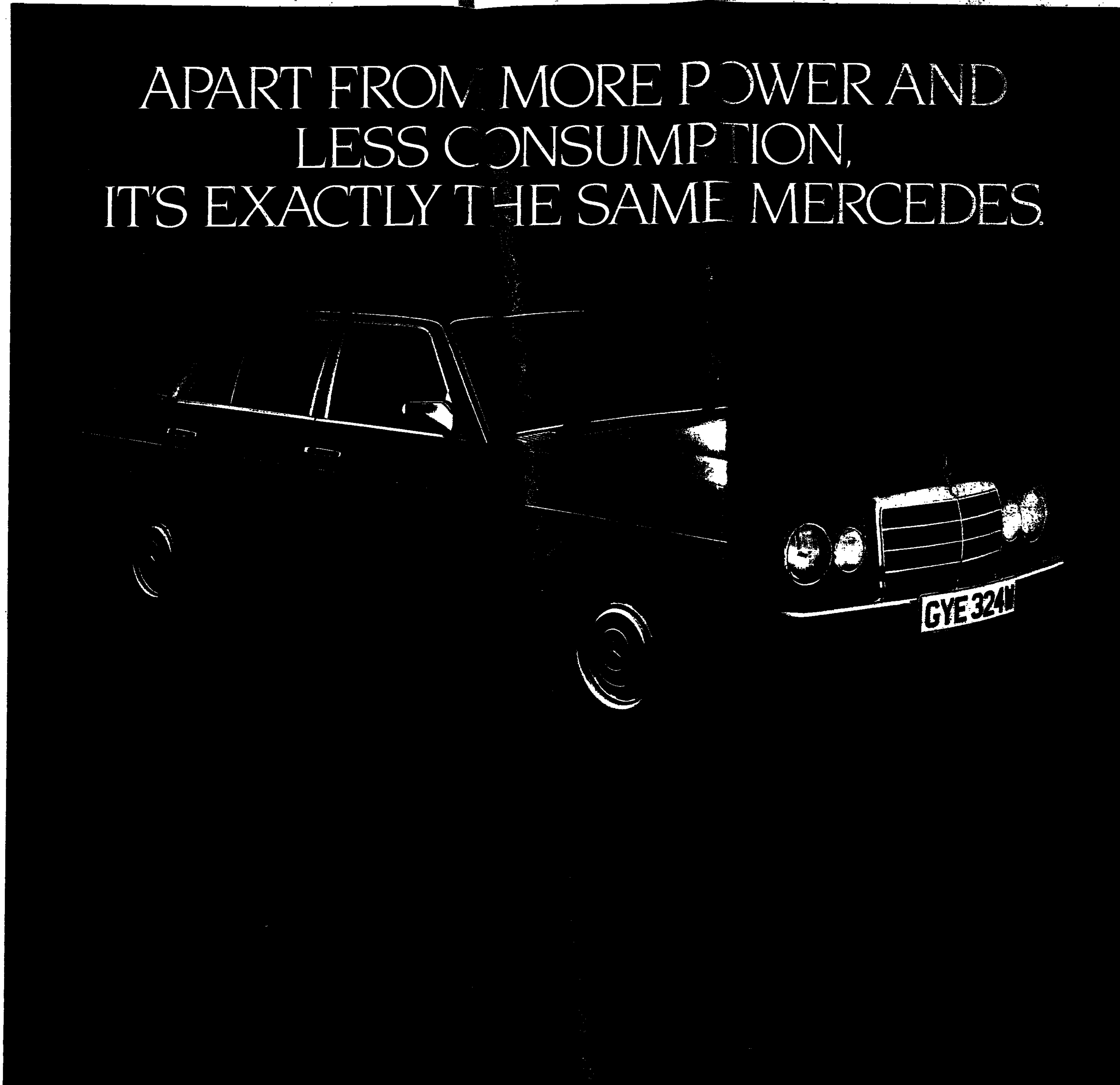
New annual premiums improved by over one-third to £4.4m, of which over three-quarters was investment linked business. One-fifth of new annual premiums were for individual pensions business, and the remainder of the linked business was split equally between the company's Fortune Plan and its Higher Investment Plan.

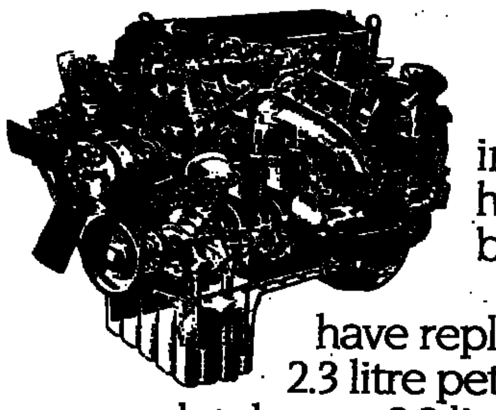
The new business development during the year was in line with the company's planned policy of expansion, with concentration on the growth of investment-linked regular premium business.

However, single premium business and annuity payments were one-third down on the year at £16m. Over 40 per cent of these payments represented linked bonds, the remainder annuities and guaranteed bonds. The company expressed disappointment in this decline which was indicative of the volatile nature of this sector of its business.

On the consolidated life assurance fund, premium income, including annuity considerations, rose marginally to £31.5m and investment income by just over 5 per cent to £29.9m. Claims and annuity payments were nearly £8m lower at £28.5m and the net gain to the fund for the year was £4.4m. However, after allowing for the fall in value of investments to reflect higher interest rates at the year-end, the fund amounted to £271m at the end of the year against £294m at the beginning.

The growth in the company's development is indicated by the increase in the proportion of linked business in the consolidated life fund. This now stands at 33 per cent against 29 per cent at the end of the previous year and 23 per cent two years ago.





To recognize the improvements, you have to open the bonnet.

Mercedes-Benz have replaced their existing 2.3 litre petrol engines with a completely new 2.3 litre petrol engine.

To recognize the improvements it now makes, you just have to open the throttle.

MORE THRUST: LESS THIRST

The new fuel-injected engine develops up to 25% more power.

Yet consumes up to 17% less fuel.

In the Mercedes-Benz 230E Saloon or 230 CE Coupé this provides a top speed of 112 mph and at least 33.6 mpg* at 56 mph.

Improved torque means that even at low to medium urban speeds, the new engine accelerates more smoothly and powerfully. Fewer gear changes are required.

SAVING MORE THAN FUEL

Absolutely nothing new goes into a Mercedes-Benz until it is proved capable of functioning reliably over many years.

In the case of the new engine, this meant an arduous testing programme of 1,400,000 miles.

And this new Mercedes-Benz engine needs so little attention, the service interval has been extended to 12,000 miles.

WHY CHANGE A PERFECTLY GOOD ENGINE?

In a Mercedes-Benz, no single feature is over-emphasised at the expense of other features. Braking efficiency is considered just as important as top speed.

Protection against collision as important as protection in a collision.

Driver alertness as important as driver comfort. Under-stressing an engine is just as important as extracting optimum power from it.

Boosting the power and economy of the existing 2.3 litre 4-cylinder engine would have been breaking this golden rule.

New stresses would have been introduced and these would have adversely affected its reliability.

The demands and technology of the 1980's produced the only answer: a completely new engine with a completely new gearbox to match the efficiency of the new power plant.

It may have been cheaper to 'tweak' the existing 4-cylinder engine at the expense of reliability and fuel economy.

It certainly would have been easier.

But then, 'easy' is not a word you'll find in the vocabulary of a Mercedes-Benz engineer.

*Official Fuel Consumption Figures (Manual Gearbox)
230 E Simulated urban driving 20.5 mpg (13.8 litres/100 KM) Constant 56 mph 33.6 mpg (8.4 litres/100 KM) Constant 75 mph 26.6 mpg (10.6 litres/100 KM)
230 CE Simulated urban driving 20.6 mpg (13.7 litres/100 KM) Constant 56 mph 35.3 mpg (8.0 litres/100 KM) Constant 75 mph 27.4 mpg (10.3 litres/100 KM)

MERCEDES-BENZ. ENGINEERED LIKE NO OTHER CAR IN THE WORLD.

Paul Betts in New York reports on a real-life Hollywood drama

Columbia wrestles the MGM lion

THE BLITZKREIG mounted by Metro-Goldwyn-Mayer Film and its principal shareholder, Mr. Kirk Kerkorian or "Double K." The high rolling Las Vegas real estate tycoon who has become Hollywood's latest mogul, for *control of* Columbia Pictures is turning into one of Sunset Strip's better action pact, high-tension movies.

After announcing his intention of acquiring control of Columbia either through a merger with MGM Film, or through his Tracinda private investment company on Monday. Mr. Kerkorian yesterday filed suit aganist *Columbia and* four of its directors for breach of contract and fiduciary duty, among other charges.

In turn, Columbia, which described Mr. Kerkorian's takeover bid as an "outrageous assault," said Mr. Kerkorian's latest manoeuvres smacked of "an early morning bombing and strafing raid." Indeed, the entire operation is regarded as vintage Kerkorian.

In the past takeovers, including the acquisition of Western Airlines, a 47 per cent stake in MGM in 1969 and a 24 per cent holding in *Columbia* 18 months ago, he has always moved swiftly and secretly, finalising his plans over a weekend and then surprising his adversaries with an announcement early on Monday morning.

This is exactly what has happened during the last 48 hours. In two separate but interrelated moves, MGM announced a proposed $450m takeover bid for Columbia Pictures Industries involving a merger of MGM Film with Columbia for 55m MGM Film shares. Should this fail, Mr. Kerkorian subsequently announced his intention of buying $50m worth of Columbia shares at the conversion price which would be established in a proposed $50m convertible debenture offering by Columbia. *This would give Mr. Kerkorian* working control of the film company by raising his current stake of 24 per cent in Columbia to over 35 per cent.

Should either bid succeed this could lead to the formation of a new colossus in the U.S. film industry at a time when the industry is enjoying something of a profit and production boom. But Columbia, which failed 18 months ago to stop Mr. Kerkorian taking a large stake in the company, has vigorously opposed the latest take-over attempt. They have pictured the affair as the rape of Columbia's frail symbol of the Statue of Liberty by MGM's roaring lion.

The current battle in large measure reflects the long-running conflict between Mr. Kerkorian and the present Board of Columbia, which is fiercely opposed to the colourful film executive and financier. According to Columbia, Mr. Kerkorian saw the company's proposed $50m *convertible* debentures offering as an attempt to dilute his stake in Columbia.

Mr. Francis Vincent, the Columbia president, said: "The timing of these proposals is obviously designed to disrupt our forthcoming debenture offering." At the same time, Columbia suggested that Mr. Kerkorian was attempting to revoke the agreements he made when he bought his 24 per cent stake in the company in 1978. "It sounds like a guy trying to commit an invasion who has just torn up a peace treaty," according to Mr. Vincent.

The original pact included agreements by Mr. Kerkorian that he would not increase his stake in Columbia over 25.5 per cent, nor vote his shares against Columbia management, nor ally himself with a take-over effort before 1982. But Mr. Kerkorian without specifying now claims that circumstances have changed to make the agreement void.

Filing his suit against the four Columbia directors yesterday, Mr. Kerkorian claimed that the curent Columbia directors—including Mr. Vincent and Mr. Herbert Allen, a senior partner of the Wall Street investment firm, Allen and Company with a 7 per cent stake in Columbia, never intended to live up to the 1978 agreement.

"They intended to use that agreement merely to entrench themselves, to perpetuate their control of Columbia, to frustrate the best interests of their shareholders and eventually *force Mr. Kerkorian to sell his* interest in Columbia," a spokesman for the financier said yesterday.

A number of U.S. film industry analysts have commented on Mr. Kerkorian's apparent commitment to the film business. When he first took control of MGM, he drastically cut the number of films produced annually by the then loss-plagued company. He sold off land, auctioned a number of famous props and moved the company into the hotel and casino business with the construction of hte MGM Grand in Las Vegas. With these moves, he succeeded in turning around MGM into a profitable company. And recently, he appears to have changed his negative view of the film business and has concentrated efforts increasingly to boost MGM's film operations.

Indeed, film production has undergone in recent months a renaissance at MGM, which was recently split into two separately publically quoted companies—MGM Film, the film division, and MGM Hotel and Gambling. While active in building up MGM, Mr. Kerkorian failed earlier this year to take full control of either company.

Nonetheless, he remains the mastermind behind MGM's current attempts to expand in the film business through the proposed take-over of Columbia. trouble on U.S. anti-trust The plan may well run into grounds. Indeed, Columbia has *stated that the proposed transac*tion constituted a clear violation of anti-trust laws. But the Justice Department tried before to force Mr. Krekorian to divest himself of his Columbia holdings. *However, at the end of* last year, a Federal judge in Los Angeles dismissed the case, ruling that the Government had failed to prove that Mr. Kerkorian was seeking control of Columbia rather than simply making an investment.

This may clearly not be the case now. But it is still early days to speculate on the outcome and the underlying reasons behind the latest take-over battle. In any event, it promises to be a particularly colourful conflict: one could not expect anything else from Hollywood.

Doubts on BHP steel expansion

BY JAMES FORTH IN SYDNEY

BROKEN HILL Proprietary Company, Australia's largest company and only steelmaker, has cast doubt over the extent to which it is prepared to expand its steelmaking activities. BHP's steelmaking operations have been overshadowed by large earnings from its oil and gas activities and under the BHP method of accounting for inflation, its *capital*-intensive steel operations showed a heavy loss last year.

Sir James McNeill, the chairman, told shareholders at the annual meeting in Melbourne yesterday that capital expenditure at the steelworks and associated collieries in the current year would exceed the *A$150m (US$176m) spent last* year. But he said questions remained of whether, or on what conditions, it would be feasible to extend overall steelmaking

A range of possibilities was being studied, any of which could make substantial demands on capital and provide important additions to the steel industry's overall structure.

"However, any such investment needs to be based on the prospect of a satisfactory return," Sir James said. This depended partly on the market outlook and the speed on which the capital expenditure could be written off for tax purposes.

The recent budgetary change to increase the effective taxation depreciation rate applicable to the steel industry from 7 per cent to 8.4 per cent, meant an average write-off period of 12 years, and was of little help.

Hillenbrand shows decline in third-quarter profits

BY OUR FINANCIAL STAFF

HILLENBRAND INDUSTRIES, the leading U.S. burial casket, luggage and hospital room equipment maker, saw profits decline slightly from $6.37m to $6.19m in its third quarter to August 30. Earnings per share came out at $1.24 against $1.28 while sales fo rthe period increased from $74.6m to $79.2m.

After nine months profits from $20.74m to $19.72m, but the cocmpany said it expected the full-year result to be comparable to 1979 when its net profit was ;25.3m, or $5.10 a share, on sales of $295m.

Earnings per share after nine months were *$3.96* compared with $4.18. Sales increased from $225.2m to $241.1m.

The company said that for the year its American Tourister luggage subsidiary would not match its record 1979 per-prospects" for resuming growth when the economy turned upward. The luggage division last year accounted for 28.4 per cent of total sales and 27.5 per cent of operating profits.

Tyco Laboratories lifts earnings

TYCO LABORATORIES, the fire protection and safety equipment group, pushed up net profits from $5.26m to $6.82m on sales ahead from $61.5m to $86.9m in its first quarter. Earnings per share were $1.74 against $1.66, writes our Financial Staff.

The result includes a gain of *$1.6m, or 41 cents a share, from* the settlement of litigation related to the sale of Cutler-Hammer, while the 1979 figure as boosted by $1.4m, or 44 cents a share, from the sale of an investment in General Signal Corporation.

Faster sales growth at PepsiCo

By Our Financial Staff

THIRD-QUARTER sales growth at PepsiCo, the U.S. soft drink and snack food group, exceeded the 17 per cent rate of increase achieved in its first half, according to Mr. Gerald Fischer, vice-president.

For the first half sales totalled $2.6bn compared with $2.2bn in 1979 and sales of $1.29bn were achieved in the third quarter last year, indicating sales for the quarter just ended of about $1.5bn. Mr. Fischer said in Zurich that final quarter sales would show even stronger growth from $1.61bn last year.

PepsiCo achieved net profits of $265m last year from sales of $5.09bn, and for the first half of the current year profits were $125.09m, up from $117.74m.

PepsiCo would also continue to see rapid expansion throughout the 1980s, with the growth potential in international markets a major factor. Average soft drink consumption in international markets was one-fifth of that in the U.S., Mr. Fischer said. The company had seen sales grow more than 20 per cent a year in the past five years in Saudi Arabia, Thailand, Iraq and African countries with rates of growth between 10 per cent and 20 per cent seen in Eastern Europe, Spain, Brazil, Mexico and the Philippines.

In the U.S. sales of the snack food and restaurant operations would be boosted in the 1980s by the increasing numbers of smaller households, which tended to eat out more often. *Increasing leisure time* throughout the world would also influence its sporting equipment division, Mr. Fischer said.

FASB ruling on takeovers

LAWSUITS AND other similar uncertainties that can affect the price of a company acquired in a U.S. takeover bid must be estimated and recorded at the time of the acquisition, according to a statement issued by the Financial Accounting Standards Board (FASB). When the uncertainty is subsequently resolved the resulting adjustment should be included in net income, the Board added, reports AP-DJ from Stamford, Connecticut.

Mr. Paul Lepage, the FASB project manager, said "contingencies are among the many factors that affect the purchase price of a busines combination." The FASB statement requires that the amount of such contingencies be estimated during an "allocation period," which is *the period required to identify* the purchase price and to allocate it to the acquired company's assets and liabilities.

INTERNATIONAL CAPITAL MARKETS

$150m Eurocredit for Czech pulp plant

By Peter Montagnon

CZECHOSLOVAKIA'S foreign trade bank, Obchodni Banka, is raising a $150m, eight-year Eurocredit to finance the construction of a cellulose plant in Czechoslovakia

The credit bears a margin above Libor of ⅝ per cent for the first two years and ¾ per cent for the remaining six. There is a four-year grace period.

It is being managed by Creditanstalt/Bankverein as agent, although it is understood that Svenska Handelsbanken and Banque de l'Union Européenne are *also* involved.

This is because the project also calls for Swedish and French exports. Creusot Loire, for example, has a subsidiary role.

It is thus generating ancillary amounts of export finance which make the whole credit package attractive to the banks concerned. They are *understood to have been pre*pared to accept a fee structure considerably below the norm for a pure financial credit.

The margins are, however, lower than *those on the last* Eurocredit for the same borrower. This was a seven-year borrowing with a flat margin of ½ per cent signed in July.

Deposit rates help to steady prices

BY FRANCIS GHILES

EURODOLLAR bond prices yesterday recovered some of Monday's lost ground on the back *of a slightly* easier trend for Eurodollar deposit rates.

The six-month Eurodollar rate shed 1/16 of a percentage point to finish the day at 14 per cent. This combined with the U.S. Federal Reserve's open market operations on Monday night in New York to convince most dealers that there is no reason to fear a further increase in U.S. interest rates for the time being.

Investors were, however, nowhere to be seen and most of the rise in bond prices was accounted for by dealers pushing paper around *from one* bond house to another. Deals involving only 100 bonds could easily raise the price of a given issue by ½ point in so volatile a market.

The three-year 12⅞ per cent bond for TransAmerica Corporation, which was priced at 99¾, finished the day at 96¼-½ to yeld 13.88 per cent.

The indicated terms of the $100m 15-year convertible for Matsushita were announced yesterday: a coupon between 7½-¾ per cent and a conversion premium of around 10 per cent.

Joint lead managers are Yamaichi International and Morgan Stanley.

Prices of DM foreign bonds slipped by around ½ of a point but trading remained extremely thin. The 8¾ per cent bond to 1987 announced on Monday night for Forsmark was quoted in early pre-market trading at a discount of two points from an indicated price of par.

In the French franc sector, the 10½ per cent convertible bond to 1991 for CIT Alcatel was increased by FFr 20m to FFr 200m and priced at par by the lead manager Societe Generale.

The FFr 300m, 13¾ per cent bond to 1985 for Regie Renault *will be jointly* managed by three banks, Societe Generale, Morgan Guaranty Trust and Kuwait Investment Company.

Swiss franc bonds slipped by around ¼ of a point yesterday. Swiss Bank Corporation is arranging a SwFr 100m 10-year public issue for the Kingdom of Sweden which includes a coupon of 6 per cent and pricing at par.

In the guilder sector, Mess en Hope has completed a Fl 25m seven-year private placement for Nederlandse Gasunie which includes a coupon of 10½ per cent and a final price of 99½.

Austrian bank bond issues

By Our Financial Staff

THREE AUSTRIAN banks have announced bond issues totalling Sch 1.29bn ($100.5 totalling Sch 1.29bn ($100.5m) in the domestic capital market.

Genossenschaftliche Zentralbank is raising Sch 840m through an issue of 9.5 per cent bonds. The six-year tranche of the bonds will be *priced* at par while the eight-year bond will be priced at 99.75.

Zentralsparkasse und Kommerzialbank is to float a Sch 200m eight-year bond with a coupon of 9.5 per cent at a price of 99.75. Oesterreichische Volksbanken, meanwhile, is seeking Sch 250m in a two-tranche issue on the same terms as Genossenschaftliche Zentralbank.

London financial futures welcomed by Chicago

BY OUR EUROMARKETS STAFF

PROPOSALS to set up a London financial futures market have been welcomed by Dr. Clayton Yeutter, president of the Chicago Mercantile Exchange, whose International Monetary Market Division first established financial futures trading in 1972.

Speaking in London yesterday, Dr. Yeutter said that the London market would be complementary to the IMM, partly through the time zone difference and partly because both markets would respond to an ever increasing need on the part of banks and corporations for hedging facilities in interest rates and currencies.

IMM plans to introduce a *Eurodollar time deposit futures* contract. Application to launch such a contract has been lodged with the Commodity Futures Trading Commission in Washington and IMM officials hope that trading could begin in the second half of next year.

While the Eurodollar contract would serve a similar purpose to the Treasury Bill contract, it could prove especially attractive to corporations and other investors because experience shows that Eurodollar rates move in closer sympathy with U.S. prime rates than do *Treasury Bill yields.*

Eurodollar futures would thus be a more accurate hedging device, IMM believes.

Dr. Yeutter said there was strong evidence of European interest in financial futures. Since IMM opened its representative office in London in January Johnson Matthey and Gill and Dufus have bought *seats on the IMM. Mercantile* House Holdings, the parent of money brokers M. W. Marshall, has purchased a clearing member firm of the Chicago Mercantile Exchange and Guiness Peat has bought a stake in another clearing member.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.

Closing prices on September 30

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Brit. Oxygen F. 10¼ 90	50	81½	82	+0½	−1½	14.30
CECA 11½ 88	100	91⅛	91⅝	0	−2	13.30
Citicorp O/S Fin. 10 85	300	88	88½	−0⅛	−1½	13.00
Con. Illinois O/S 9¾ 86	150	86⅞	87¼	−0½	−0⅞	13.08
Denmark 11¾ 90	100	90⅝	91⅛	0	−1⅛	13.46
Dome Petroleum 13½ 92	50	99¾	100¼	+0⅛	−1⅛	13.46
EEC 11 95	75	85	85½	+0⅛	−1⅛	13.31
EEC 11 95	70	85	85½	+0⅛	−1⅛	13.31
EIB 11¾ 92	80	90	91¼	+0⅛	0	13.38
EIB 13¾ 90	100	101	101½	+0⅞	−1⅛	13.47
Eksportfinans 11¾ 87	50	92⅛	92⅞	0	−2	13.00
Eksportfinans 9½ 87	75	84¾	85¼	+0⅛	−1⅛	12.93
Elec. de France 10 88	125	85⅞	86⅜	+0⅛	−1⅞	12.91
Export Dv. Cpn. 12¼ 87	100	98⅝	99⅛	+0¼	−0⅞	12.97
Export Dv. Cpn. 9½ 86	150	86⅞	87¼	−0⅛	−0⅛	13.02
Federal Dev. Bk. 12¼ 85	75	97	97½	0	−1⅛	13.03
Fin. Exp. Credit 10⅛ 85	50	90⅛	90⅝	0	−0⅞	13.33
Finland Rep. of 9½ 86	100	85⅛	85⅝	+0½	−1⅛	13.37
Ford O/S Fin. 12⅝ 85	250	96	96½	−0⅛	−0⅞	13.71
George Weston 13½ 87	30	98⅝	99⅛	+0½	−0⅛	13.72
GMAC O/S Fin. 11 84	100	93⅛	93⅞	+0⅛	−1⅛	13.03
GMAC O/S Fin. 13⅛ 85	100	100	100½	+0⅛	−1⅛	13.24
Goodyear O/S 12½ 87	75	95⅞	96⅜	−0⅛	−1⅛	13.37
Hudson's Bay 11½ 90	75	89½	90	−0⅛	−2⅛	13.42
IBM Canada 10½ 85	50	93	93½	+0⅛	−1⅛	12.43
ICI Fin. Ned. 11 83	100	95	95½	−0⅛	−1	13.15
Int. Harvester 12¾ 85	115	96⅞	97⅜	+0⅛	−0⅞	13.57
McGraw 13½ 85	75	98⅜	98⅞	+0⅛	−0½	13.86
NorWest Ind. 13⅜ 87	50	98⅛	98⅝	+0⅛	−0⅞	13.94
Nova Scotia 10⅜ 90	50	87½	87⅞	0	−2⅛	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Tordom Cpn. 13½ 85 C$	30	98⅛	99	−0⅛	−0⅞	13.86
M. Bk. Dnmk. 9 91 EUA	25	93⅞	95⅛	0	0	9.83
SOFTE 8¾ 89 EUA	40	88⅞	90½	0	0	10.13
U. Bk. Nrwy 9½ 90 EUA	18	99⅝	100⅛	0	0	9.48
Algemene Bk. 10⅛ 87 Fl	400	99⅞	100⅜	+0⅛	−0½	10.21
Bk. Mees & H. 10 85 Fl	75	100⅝	101⅛	0	−0⅛	9.75
F. G. Hypo 9¾ 87 Fl	60	96½	97	0	0	10.42
Heineken NV 10 87 Fl	75	99¾	100¼	−0⅛	−0⅛	9.98
Nat. Inv. Bk. 10 87 Fl	75	98⅛	98⅝	+0⅛	+0⅛	10.30
Nat. Neder 9½ 87 Fl	80	96	96½	−0¼	−0⅛	10.28
Neder Mdn Bk 10 85 Fl	75	101⅝	102⅛	0	0	9.50
Aero Paris 13⅛ 87 FFr	150	97½	98½	−1½	−1⅛	13.57
CECA 14⅛ 86 FFr	150	102⅝	103⅝	0	−1½	13.36
Finland 11 84 FFr	80	91⅛	92⅛	0	−1	13.79
Finland 11½ 89 FFr	70	89⅞	90⅞	0	−0⅛	13.39
Gaz de France 11 84 FFr	150	92⅞	93⅞	+0⅛	−1⅞	13.18
IBM France 11⅞ 84 FFr	120	94½	95½	0	−1	13.58
Renault 9¾ 85 FFr	100	86⅜	87⅜	+0⅛	−1	13.64
Solvay et Cie 9¾ 87 FFr	125	82½	83½	0	−1⅛	13.82
Utd. Mex Sts. 14 85 FFr	150	99⅝	100⅜	0	−0⅛	13.98
Beneficial Fin. 14¼ 90 £	20	98½	98⅞	+0½	0	14.50
Citicorp O/S 13½ 90 £	50	97¼	97¾	+0⅛	−0⅛	13.96
EIB 11½ 91 £	25	88½	89¼	+0½	−0⅛	13.50
Fin. for Ind. 14½ 88 £	20	100¼	101	+0¼	−0⅛	14.30
Fin. for Ind. 13¾ 87 £	20	98⅛	98⅞	0	0	14.10
Gen. Elec. Co. 12½ 89 £	50	94¾	95½	+0⅛	−0⅛	13.46
Peugeot SA 14 90 £	23	97⅛	97⅞	−0⅛	−0⅛	14.47
Rothschild 14¼ 90 £	12	97⅞	98⅝	+0⅛	−0½	14.57
Swed. Ex. Cr. 15⅛ 85 £	20	103⅛	103⅞	+0⅛	+0⅛	14.08
Banobras 8¾ 90 KD	7	†94	94½	−0⅛	0	9.17
CCCE 8¾ 91 KD	10	†89	89½	0	−0½	9.80
Sonatrach 8½ 90 KD	12	†91½	91⅞	+0⅛	−0⅛	9.88
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.

† Only one market maker supplied a price.

[illegible]

INTERNATIONAL HARVESTER

A Spanish springboard for the eighties

BY ROBERT GRAHAM IN MADRID

INTERNATIONAL Harvester's commitment this week to invest up to $250m over the next five years in Spain has provided the Spanish state holding company, INI, with a much needed boost to morale.

Having been badly rebuffed in trying to integrate the Spanish car producer, Seat, with Fiat of Italy, INI has now succeeded in tying up an iron-clad agreement to integrate its heavy vehicle producer, Enasa, with the U.S. group.

Sr. Jose Miguel de la Rica, INI president, said that there would be no repetition of the Fiat situation. INI has encouraged Harvester to choose Spain as a central plank in its development strategy for the 1980s. As a result, Harvester's overall investment could eventually prove more substantial than that indicated.

The deal, signed on Monday, has three principal aspects—Harvester's involvement in Enasa, the establishment of an engine plant plus a separate company for its operation, and the initiation in Spain of tractor production by Harvester.

Harvester will acquire 35 per cent of Enasa, which is Spain's leading producer of heavy and medium trucks. INI at present owns 91 per cent of Enasa, which until 1972 was 25 per cent owned by BL of the UK. Harvester will pay for this shareholding by subscribing to a series of capital increases in Enasa which over the next five years, will total Pta 25bn ($357m).

By taking a minority stake in Enasa Harvester allows INI to shoulder the burden of Enasa's losses over the next three years while the company is extensively restructured. Harvester intends to eventually become a majority shareholder and has the option to do this after three years.

During this period INI will effectively absorb the bulk of Enasa's losses. Harvester will be responsible solely for losses arising from new investment—not previous management decisions.

Enasa's losses this year are expected to be Pta 8.5bn ($121m) and given the current depressed state of trading losses will persist through 1981. Harvester, which will effectively manage Enasa, has imposed some tough terms on the company's 11,700 labour force. Written into the agreement are conditions on substantial lay-offs over the next three years and the right to move labour within and outside plants.

The problem of Enasa's excess labour has been one of the main headaches in INI's efforts to find an international partner. Companies which inspected Enasa, and there were many, concluded that at least one-third of the labour force was surplus and this presented insuperable difficulties.

Harvester overcame this by proposing the establishment of an engine plant, owned 65/35 by Harvester—INI, which would re-employ the bulk of Enasa's excess workforce.

The rationale for the deal is that Harvester needs to establish as soon as possible a new engine producing facility, since by 1982 it fears it will be unable to satisfy customer demand.

For its part INI needs to integrate Enasa with a solid multinational to assure it a long-term future. As a purely Spanish company Enasa's prospects were doubtful.

Harvester plans to assemble more than 80,000 Series 400 diesel engines annually. Most of this production will be for export, mainly to the U.S. It will also modify and improve Enasa's own 12-litre diesel engine.

At the same time Harvester will make an important commitment to produce tractors in Spain via Enasa. This involves the purchase of a tractor licence from Talbot (which in turn acquired the licence from the former Barreiros company). Harvester intends to produce at Enasa's Barcelona plant small tractors geared to the domestic market and export. Production of up to 8,000 units is expected to begin in 1983.

This investment in tractor production will account for an important slice of Harvester's planned spending in Spain. Overall INI-Harvester investment over the next five years will amount to Pta 39bn (555m) of which the engine plant will absorb $202m.

It is believed that Harvester still has some important doubts over the deal. The major uncertainty centres on Enasa's ability to reduce its losses. However, the U.S. group appears determined to push ahead with its investment.

Half-year results at BIC show sharp fall in margins

BY OUR PARIS STAFF

WORLDWIDE NET profits of the French-based BIC group, manufacturer of throwaway pens, razors and cigarette lighters, fell by 3 per cent in the first six months of this year from FFr 110.8m to FFr 107.3m ($25.51m).

The results show a distinct slump in margins during the six-month period, given an increase in sales from FFr 1.3bn to FFr 1.6bn ($380.9m). However, the tax charge also went up from FFr 66.4m to FFr 92.8m after the return to profitability of the group's Diroco subsidiary, which had earlier escaped tax because of losses in 1979.

Despite this decline in the consolidated results, Société BIC, the French parent company, increased net after-tax profits to FFr 38.5m compared with FFr 33.2m in the first six months of 1979. Turnover went up by 11 per cent to FFr 275.5m, and dividend receipts from its affiliate companies rose from FFr 7.8m to FFr 9.5m.

Shareholders are to benefit from this improvement through a free scrip issue of one share for five in early October. These shares will enjoy rights from the beginning of the year.

AGA to sell part of Pharos

By Westerley Christner in Stockholm

AGA, the Swedish industrial gas and heat engineering group, is to hive-off part of its Pharos subsidiary in return for SKr 13.8m ($3.3m) of shareholders' money.

Formed earlier this year from nine companies within the AGA group, Pharos is to be listed on the Stockholm Bourse as a separate company from next January. Two-fifths of its shares are to be offered to AGA shareholders on a one-for-10 basis at SKr 50 each.

The issue will be used to bolster Pharos's financial resources. AGA will retain a controlling 60 per cent shareholding in the company.

With the issue, Pharos will increase its share capital to SKr 85.6m ($20.5m) from SKr 51m. Mr. Bertil Kusoffsky, Pharos's managing director, said: "With today's inflation level, the goal is for every industrial company to have a yield of at least 15 per cent on capital employed. We expect to reach this target with net earnings corresponding to between 10 per cent and 12 per cent of the total turnover."

For 1980, Mr. Kusoffsky predicts that Pharos will increase its operating income by nearly 40 per cent, with net earnings of SKr 38m. Turnover is expected to reach SKr 555m this year, and SKr 670m in 1981, when net earnings are forecast at SKr 45m. Between 1981 and 1983 the company expects to hold an annual earnings growth rate of 15 per cent.

Manufrance plan gains support

BY TERRY DODSWORTH IN PARIS

A VIRTUALLY unknown Bordeaux-based businessman, M. Jean-Claude Dumas, has emerged at the eleventh-hour with what appears to be an acceptable rescue plan for Manufrance, the failing French company now on the point of bankruptcy.

M. Dumas's proposals, which involve injecting FFr 300m of new funds, raised from a group of Swiss bankers, have already won the approval of the company's shareholders.

They were also greeted favourably yesterday by the president of the commercial tribunal at Saint-Etienne, where Manufrance is based, although the court is demanding further clarification from the banks, who have not yet been named.

A solution to the Manufrance saga would be clearly welcomed by the Government, as France prepares for the presidential elections in spring next year. Although M. Raymond Barre, the Prime Minister, was evidently prepared to write off the group, it has a significance out of all proportion to its size of about 2,000 workers.

This is partly because the effort to keep it alive has become a rallying point for the Left, and partly because of its hallowed position in French industry and commerce as one of the country's main mail order houses, a producer of sporting guns, and publisher of the sporting paper, Chasseur Francais.

The strength of M. Dumas's plans, compared with the previous rescue projects from the innumerable failed chairmen of the group, is that he has managed to raise a sufficiently large amount of money to give the company adequate working capital for the medium-term. He claims that Manufrance can now manage without the FFr 150m, which the Government had been prepared to advance on certain conditions.

Given these funds and a new management in which the Swiss shareholders will take a leading part, M. Dumas says that Manufrance should be back in profit in 1983, with the possibility of a turnaround in 1982. This year, however, the company will suffer heavy losses (it has been reported to be losing about FFr 12m ($2.9m) a month), and it will run up a further deficit in 1981.

Some shareholders last night were hinting at opposition to the scheme on the grounds that the transfer of capital from the old Manufrance, for FFr 100m, heavily undervalued the company, particularly its property assets.

However, M. Dumas appears to have won the support of M. Joseph Sanguedolce, the Communist maqor of Saint-Etienne, who called on all shareholders to support "this excellent plan," which meant that Manufrance would stay in the city, without any redundancies.

M. Sanguedolce's support is crucial, because the Saint-Etienne local authority owns 30 per cent of Manufrance and has put itself in the forefront of the battle to keep it alive, making and breaking a number of chairmen in the process.

Bond Corporation lifts dividend

BY JAMES FORTH IN SYDNEY

BOND CORPORATION, the flagship of the group of companies controlled by Mr. Alan Bond, the Perth businessman, yesterday disclosed capital profits of A$64m (U.S.$75m) principally from forced sales of share holding in the natural gas producer, Santos.

In addition Bond, which in 1974 came close to foundering following the collapse of the property boom, disclosed that its investment portfolio is currently valued on the sharemarket at A$178m, or A$56m more than book value.

Actual trading results for the year ended June show a rise in net earnings to A$6.3m from A$2.5m, which is allowing the company to lift its dividend from 3.75 cents a share to 7.5 cents. Capital was increased last year by a one-for-three scrip issue.

Bond's portfolio mainly represents the company's remaining interests in Santos and two other partners in the Cooper Basin gas and liquids fields, which supply Sydney and Adelaide with natural gas, reef oil and basin oil.

Other holdings include a 40 per cent stake in Endeavour Resources, a member of the Bond group, and 19 per cent of Pacific Copper Exploration. On top of the profits from Santos, Endeavour is today due in Sydney to finalise the sale of its 44 per cent stake in the New South Wales coal group, White Industries, for A$80m.

Bond acquired a 37.5 per cent stake in Santos in mid-1978 for A$36m. It was forced by the South Australia Government to reduce its stake to 15 per cent.

Asset backing of Bond shares is stated as A$2.72 a share. This value does not take into account the increase over book value of the investment portfolio.

Swiss Renault to raise SwFr 80m

By Our Financial Staff

RENAULT HOLDING, the Swiss arm of the French motor group, is to tap the Zurich capital market for SwFr 80m ($49m).

The company is to float a ten-year bond under aegis of a consortium led by Union Bank of Switzerland. Proceeds will be used to help finance the French group's commercial and industrial operations outside France.

The bond will carry a coupon of 6 per cent and be priced at par. Subscriptions close on October 10.

● Geilinger, a Swiss engineering and metal construction company, has acquired a minority stake in the Nigerian company, Armeco Structural Steel Works, and taken over responsibility for commercial and technical management. Another Swiss group, UTC International, already has a stake in Armeco, which operates three plants and employs some 500 persons.

Geilinger hopes to expand exports to Nigeria and generally build up its contracting work in West Africa.

● Natomas, the U.S. energy group with interests in transport and property, is to list its shares in Switzerland from October 7.

The company confirms that its earnings will roughly double for 1980—to more than $200m, compared with the $111m achieved for 1979.

Interim profit advance for Boustead Berhad

BY WONG SULONG IN KUALA LUMPUR

BOUSTEAD HOLDINGS Berhad has reported a 35.6 per cent increase in its interim pre-tax profit for the six months ended June, to 11.8m Ringgit (U.S.$ 5.5m), from 8.7m Ringgit.

A large part of the earnings came from its plantation subsidiaries, the profitability of which rose by 50 per cent. The harvest had been excellent, it was said, and prices obtained good.

The group said its trading and distributing subsidiaries, Boustead Trading Sdn. Bhd. and Riche Monde made a very good start by doubling profits, while its shipping operations had also been "quite outstanding."

However, its associate, Holiday, Cutler, Bath, the rubber broking firm, recorded a loss, created by the sharp downturn in the rubber price early in the year. Boustead Berhad's publicly quoted rubber subsidiary, Malakoff, registered a rise in pre-tax profit to 5.3m Ringgit from 3.8m Ringgit.

The second half is likely to be less buoyant both for Boustead and Malakoff, because of softer commodity prices, but overall profits for the full year should be much better than those of 1979.

● Perlis Plantations, the Malaysian-sugar-based group, is to acquire a mining and plantation company for 15m ringgit. Perlis will pay cash for the capital of South Island Mining Company (SIMCO) comprising 10,000 shares of 100 ringgit each.

French bank in drugs venture

BY OUR FINANCIAL STAFF

CREDIT COMMERCIAL DE FRANCE, the French private banking group, is to become a shareholder in a newly-formed West German pharmaceuticals group.

Through two subsidiaries, the French group will put up between 25 and 30 per cent of the new company's DM 5m capital. The remainder of the equity will be subscribed by Jordanian and Saudi Arabian interests.

The new company is to be called Pharma Neustadt. It will be a distribution group, taking over the operations of a group called Pharma Bauer, which recently moved into bankruptcy.

Pharma-Neustadt is to receive a loan from Credit Commercial of around DM 20m, of which three-fifths is to be guaranteed by the Rhineland-Palatinate state. Sales next year are expected to top DM 200m.

Greek airline in the red

ATHENS—Olympic Airways, Greece's national airline, predicts an overall loss approaching Dr 2bn ($46.5m) for 1980, Mr. Triandafilos Koutalides, the company's president, announced yesterday.

Calling the financial situation after the first six months of 1980 "tragic," Mr. Koutalides said that the company was facing three major problems of continually rising fuel prices, ceaseless competition by charter companies and the need to earmark large sums for renewal of its fleet.

The fuel price had risen from 79.5 cents (U.S.) per gallon in 1979 to 135 cents this year. Each cent rise per gallon meant a cost of $1.35m a year for Olympic, Mr. Koutalides added. AP-DJ

JARDINE MATHESON

Record rights issue to raise HK$1bn

BY PHILIP BOWRING IN HONG KONG

JARDINE MATHESON increased its attributable net profit by 22.7 per cent in the six months to June to HK$158.1m (US$31.7m) and at the same time unveiled the biggest rights issue ever seen in Hong Kong. The company is to raise HK$1bn (US$200m) in 9.5 per cent unsecured 15-year loan stock, with warrants to subscribe for new ordinary shares.

Full details of the issue, which is being underwritten jointly by Jardine Fleming and Wardley will be made available on October 27. It will be on the basis of HK$709 nominal of loan stock for every 200 stock units and will be payable in two tranches. The warrants will be exercisable over the 12 years 1984-1995.

The company said that the loan would be used to refinance short to medium term borrowings. These have increased significantly this year, Mr. David Newbigging, the chairman, revealed, mainly as a consequence of Jardine having spent over HK$1bn over the past year buying shares in Hongkong Land Company to help secure effective control of Land against local Chinese predators.

Term debt currently totals HK$1.8bn and is expected to rise to some HK$2bn by year end compared with HK$1.5bn at the end of last year. Of the total, HK$560m is in outstanding loan stocks but most of the rest is at floating interest rates.

The loan stock issue will increase debt as a percentage of shareholders funds to around 70 per cent compared with 60 per cent at the end of last year. This increase in gearing is contrary to the group's policy of the previous two years, but Mr. Newbigging said that the loan stock would save from HK$5m to HK$10m a year in interest at current rates and, more importantly, was on a very long term basis.

Jardine forecasts that earnings for the whole year will be not less than HK$500m, an increase of about 20 per cent on last year's HK$403m. In addition, extraordinary profits of in excess of HK$350m would be recorded assuming completion by the year-end of a previously announced share/assets swap with HK Land. This would account for the bulk of the extraordinary items.

The interim dividend is 23 cents, compared with 19 cents adjusted for last years three-for-20 bonus issue. Earnings per share were 63 cents compared with 52 cents, a rise of 20.6 per cent. The company expects to pay a final dividend of 65 cents making a total of 88 cents, an effective increase of 23.9 per cent.

Mr. Newbigging said that Jardine had benefited from the continued strong economic performance of Hong Kong, including improved trade with China and an active stock market. However, Hong Kong's contribution to overall earnings for the whole year would probably slip slightly from last year's 49 per cent.

Overseas, Jardine's Hawaiian operations were benefiting from the high sugar price. The South African quoted subsidiary, Rennies Consolidated had shown a first-half gain of 60 per cent and expected a 20 per cent full year improvement. The UK subsidiary, Matheson and Company had a good first six months as a result of high interest earnings and strong operating results in their insurance broking, air freight forwarding and shipbroking activities.

The bad news was mainly from the Middle East where Jardines has a US$100m, 40 per cent holding in Transport and Trading Company (TTI) which operates mainly in Saudi Arabia and Kuwait. High interest rates and poorer market conditions had affected earnings.

As a result, Jardine had waived its entitlement to a guaranteed 17 per cent dividend from TTI. In return a new dividend policy for future years had been agreed which would be favourable to Jardine. The existing dividend guarantee was due to expire at the end of this year. Mr. Newbigging indicated that dividends received from TTI in the first-half were about two-thirds of the guaranteed amount and that the second half would be roughly the same.

Sharp rise for Malaysian shipping line

By Wong Sulong in Kuala Lumpur

MALAYSIAN International Shipping Corporation (MISC), the Malaysian national line, trebled pre-tax profits to 29m ringgit ($10.6m) for the year to end 1979, despite sluggish international trading conditions.

Total revenue rose by 37 per cent to 395mm ringgit ($186m) and after-tax profit was 27.6m ringgit or double that of 1978. The dividend is being held at 10 per cent tax exempt.

Tengku Ngan Mohamed, the chairman, said all the group's divisions except for the ore/oil carrier section, performed profitably.

He announced that MISC would invest 3.5bn ringgit to double its tonnage to 2.5m tonnes by 1985.

Tengku Ngah said he expected the line's five liquid natural gas (LNG) tankers, ordered from two French shipyards, to be delivered beginning from next year. However they would have to be mothballed for about two years since the LNG project in Sarawak, for which the tankers were made, would not be onstream until 1983.

Bank Leumi trebles earnings

BY L. DANIEL IN TEL AVIV

BANK LEUMI—Israel's largest banking group—reports that its consolidated net profit for the first half of 1980 near trebled compared with the same period of 1979, having exceeded I£2bn ($34m). The net profit outstripped considerably the rise in the rate of inflation, which for the year to June, 1980, came to 133.5 per cent and for the first half of 1980 to 54.4 per cent. Net profits are equivalent to 120 per cent of total for all 1979.

The consolidated balance sheet grew by 142 per cent as compared with end-June 1979, to I£829.5bn or by 52 per cent compared with end 1979.

The bank is paying an unchanged interim gross dividend of 7.5 per cent on its ordinary stock, and 40 per cent of this on bonus shares distributed in May and on ordinary stock derived from the conversion of capital notes and options.

* * *

ISRAEL DISCOUNT Bankholding—the parent company of the Israel Discount Bank, the country's third largest—reports net profits up by 180 per cent in the first half of 1980, as compared with the same period in 1979, to reach I£1bn ($17m).

* * *

MARITIME BANK of Israel has scored the highest level of over-subscription ever recorded for any issue on the Tel Aviv stock exchange — 84 times. Martime, a private merchant bank, went public for the first time, offering 50m ordinary registered shares of I£ nominal value, and 3m registered ordinary shares in the form of 500,000 units as the two kinds of share at a unit price of I£383.50, or I£192m ($3.3m).

Institutional investors (who accounted for 40 per cent of the applications) will get one-third of the quantity requested and other applicants 1.69 per cent.

Maritime Bank was founded in 1962, and until a year ago was a Government concern. It was then acquired by the Shaul Eisenberg group of companies and has been engaging in ship financing and Euro-currency transactions. Its unaudited balance sheet as of March 31, 1980, shows capital, reserves and retained earnings of I£180.5m.

● The conversion from the Israeli pound to the shekel at a rate of Sh 1 to I£10 became effective yesterday.

Deeper loss at Waltons but improvement seen

BY JAMES FORTH IN SYDNEY

WALTONS, the retail group, incurred a loss of A$5.9m (U.S.$6.9m) in the year to July, and has omitted dividends—but the directors believe the company has turned the corner. The result compares with a loss of A$1.49m in 1978-79.

The trading loss jumped from A$3.0m to A$7.8m, but this was offset to some extent by an increase in the equity accounted earnings of the 50 per cent owned finance company, Barclays Credit Corporation, which rose from A$1.9m to A$2.1m.

Group sales rose 9 per cent for the year to A$333m (U.S.$390m), with an increase of 13 per cent seen in the second half. But sales on an instalment credit basis rose only 2.1 per cent, compared with a 16 per cent increase in other sales. Instalment credit sales, financed by Waltons' finance company associate, have provided the basis of Waltons earnings in the past.

As a result of improved marketing and tight cost control the trading results in the second half of the year showed an improvement of A$945,000 over the same period in 1979. Earnings of Waltons Insurance dropped from A$416,000 to only A$9,000, and the offshoot has now been sold to Norwich Winthertbur for A$9.7m, subject to the approval of the Foreign Investment Review Board. Waltons, it is planned, will continue to act as agents for the insurance company in respect of sales of insurance and customer service.

A number of initiatives had been strengthened, the directors said, surplus and low yielding assets had been, or were being, rationalised and the credit organisation was undergoing a reorganisation to improve its profitability. The directors added that they confidently expected the group's improved performance over recent months to continue into the future.

CONTRACTS AND TENDERS

Labour organisation "Vinoprodukt Cemovsko polje," in foundation, Titograd

INVITES

Competitive Bidding for Procurement of 150 ha Drip Irrigation System, Under "Turnkey" System

Investiciona banka Titograd—Udruzena banka has received a loan from the World Bank in various currencies equivalent to US$26 million towards the cost of the Agricultural and Agro-industries Project Montenegro and intends to apply part of the proceeds of this loan to eligible payments under this contract for which this invitation to bid is issued.

The facility will be located on Cemovsko polje near Titograd, SR of Montenegro, Yugoslavia.

Bids are to be in accordance with conditions stated in bidding documents, that can be provided on October 6. 1980 or after that date, at Labour organisation "Vinoproduct Cemovsko polje," in foundation, 81000 Titograd, Tuski put 10, after paying the amount of Din 4.000 by local bidders, on giroaccount No. 20100-601-13997 with SDK Titograd, or the amount of US$150 paid by foreign bidders on foreign exchange account of Agrokombinat "July 13" Titograd, No. 20100-620-37-7100-421/51 with Investiciona banka—Udruzena banka Titograd.

It is envisaged that the works are to be completed in the course of 3 months from Contract signing.

Bids will be received by Labour organisation "Vinoprodukt Cemovsko polje" in foundation up to December 15, 1980, until 10 a.m.

Bid opening will be performed on the same day, at 11 a.m., in the offices of Employer.

All necessary information may be obtained from:

Labour Organisation "Vinoprodukt Cemovsko Polje"
in foundation, Titograd
Telephone: 081 22-332 or by Telex: 61165 YU AGRO

PERUSAHAAN UMUM LISTRIK NEGARA

AGENCY OF THE MINISTRY OF MINES AND ENERGY OF THE GOVERNMENT OF THE REPUBLIC OF INDONESIA

INVITATION TO BID

Tenders for the stack contract for the new 2 x 400 MW Suralaya steam power plant near the town of Merak in West Java will be received on or before 10.00 hours for public opening at 11.00 hours on 8th January 1981 at the head office of Perusahaan Umum Listrik Negara, Jalan Trunojoyo, Blok MI/135, Kebayoran Baru, Jakarta, Indonesia.

The stack contract comprises the design, supply and construction of a reinforced concrete stack with two insulated steel flues. The height of the stack will be 180 or 200 metres. The choice of stack height will be made before award of contract. The foundation for the stack is not included in the scope of this contract. Beginning 9th October 1980, the Tender documents may be examined and upon payment of the non-refundable sum of US 300 dollars can be obtained at the following address:

PERUSAHAAN UMUM LISTRIK NEGARA,
DIRECTORATE OF PLANNING,
JALAN TRUNOJOYO, BLOK MI/135,
KEBAYORAN BARU,
JAKARTA, INDONESIA.

To qualify for award, Tenderers must have successfully designed and constructed a minimum of two concrete stacks with insulated flues in excess of 180 metres height during the preceding ten years and these stacks shall have been in successful service for at least two years. Tenders will be received from qualified contractors or their authorised representatives. Perusahaan Umum Listrik Negara has obtained a loan from the International Bank for Reconstruction and Development and will apply the proceeds of this loan to payments under this contract. Only contractors residing in Member Countries of the International Bank for Reconstruction and Development or Switzerland are eligible to tender.

Perusahaan Umum Listrik Negara reserves the right to reject any or all tenders and to waive minor irregularities and informalities.

JAKARTA, 1st OCTOBER 1980
PERUSAHAAN UMUM LISTRIK NEGARA

SOLOMON ISLANDS GOVERNMENT

LUNGGA HYDROPOWER PROJECT PRE-QUALIFICATION OF TENDERERS

Interested contracting firms are invited to submit applications for inclusion on the list of registered tenderers for construction of the Lungga Hydropower Project situated near Honiara on Guadalcanal in the Solomon Islands.

The project comprises three main contracts:

Contract 1—Civil Works including:
—earth and rock fill dam, 50m high
—concrete lined spillway, 45m wide
—concrete lined pressure tunnel, 400m long and 4m diameter
—steel conduit and penstock manifold, 160m long
—power house to accommodate 5 No. turbo-generator units
—control gates for intake and draft-tubes.

Contract 2—Generating Plant & Transformers including:
—5 Vertical shaft Francis turbines operating under a design head of 39.6 metres at 500 rpm and capable of delivering a design output of [illegible] MW and a maximum continuous output of 4.375 MW, together with governors, inlet valves, pressure relief valves and all ancillary equipment.
—5 Alternating current generators for direct coupling to turbines as detailed above and having a design rating of [illegible] MVA 0.8 power factor and maximum continuous rating of 4.67 MVA at 0.8 PF and 11 KV together with excitation, control and protection equipment, associated cabling and earthing.
—3 MVA generator transformers [illegible] cooling 11/33 KV three phase units and 2-250 KVA station transformers [illegible] cooling 33/0.415 KV at the Lungga power station switchyard and 1-250 KVA station transformer [illegible] cooling 33/0.415 KV at [illegible] switchyard.
—Switchgear and station miscellaneous plant at power station including 415 V switchboards, lighting and small power services, 50 KVA diesel generator, battery installations, ventilation and air conditioning equipment and associated cabling.
—1-15 tonne EOT crane and lifting [illegible]
—1 tonne manually operated monorail hoist [illegible]

Contract 3—Transmission & Substations
Lungga Power Station switchyard containing:
—4 Bays of 33 KV switchgear equipment.
—2 Bays of 33 KV isolator/fusegear for station transformers.
—33 KV double circuit transmission line approximately 5 km long.
Tee-in Switchyard containing:
—3 Bays of 33 KV switchgear equipment.
—1 Bay of 33 KV isolator/fusegear for station transformer.
All control and protection equipment and cabling external to power station including 11 KV, 415 V and multicore cables, marshalling boxes, racks, cleats and earthing facilities.

Finance for the project to be provided from various international funding sources. The eligibility of tenderers to participate in this project is confined to the following:
—For Contract 1: To member countries of the Asian Development Bank.
—For Contracts 2 and 3: To member countries of the World Bank, with Switzerland and Taiwan.

Applications shall be made separately for registration for each of the three contracts. Application forms with pre-qualification brochures which describe the project in more detail will be available from the office of the project Consultants:

Cameron McNamara-Preece Cardew International
P.O. Box 94
Spring Hill, Brisbane, Queensland 4000, Australia.
Telex: Camac AA.41529 Phone: 07-221 6833 Cables: Cameronmac, Brisbane.
OR FROM
Preece Cardew & Rider, Paston House, 165-167 Preston Road, Brighton BN1 6AF, UK.
Telex: 87330 PCR UK G Phone 0273 507131

Submissions of applications close on 1st November, 1980.

INVITATION TO TENDER

JORDAN PHOSPHATE MINES CO. announces the issue of Tender No. (12F/80) for stripping, mining and run-of mine ore transport.

1. Location of operation is at Orebody No. 9 at El-Hassa mine.
2. Total quantities of excavations are about 5.227 million bench cubic meters (BCM) out of which about 2.636 million BCM are waste, 2.372 million BCM are Rom ore and 219 thousand BCM are sub-ore.
3. The closing date of this Tender is 12.00 A.M., 1st November, 1980.
4. Cost of each copy of Tender is 100 JD which shall be paid to the Supply Department.

JORDAN PHOSPHATE MINES CO. LTD.

COMPANY NOTICES

B.A.T. INTERNATIONAL FINANCE LIMITED
100,000,000 French Francs 7½%
Guaranteed Bonds 1987

At the request of the Trustee, we hereby give notice that the nominal amount of FF4,000,000 has been purchased on the market for redemption due November 15, 1980.
Amount outstanding: FF72,000,000.

The Principal Paying Agent
KREDIETBANK
S.A. Luxembourgeoise

Luxembourg
October 1st, 1980

CITY OF RIO DE JANEIRO
4½% Consolidated Sterling Loan of 1912

S. G. WARBURG & CO. LTD., (incorporating Seligman Brothers) hereby gives notice to bondholders that after the payment of interest due on the 1st October, 1980, from Plan "A" Bonds against presentation of overprinted Coupon No. 138, the Bonds will retain the talon only.

In order that bondholders may receive new coupon sheets containing Coupon No. 139 to 166, due 1st April, 1981, to 1st October, 1994, inclusive, they are now requested to lodge the talons from the Bonds at the office of:—
S. G. Warburg & Co. Ltd.,
Coupon Department,
St. Albans House,
Goldsmith Street,
London, EC2P 2DL.

Temporary Receipts will be issued for these talons and bondholders will be advised in due course when the new coupon sheets are available for exchange.

30, Gresham Street,
London, EC2P 2EB.
1st October, 1980.

SOCIETE NATIONALE DES PETROLES D'AQUITAINE

LOAN OF US$30,000,000 1975-1985
COUPON ATTACHED 01.11 10%

The US$1,200,000 redemption instalment due November 1, 1980, has been met by purchases on the Stock Exchange.

Outstanding amount after November 1, 1980: US$22,800,000.

BONDS PREVIOUSLY DRAWN AND NOT PRESENTED FOR REPAYMENT:
Redemption due 01.11.77
No. 6102/05
Redemption due 01.11.79
No.: 6161, 6252/3, 6256/9, 6270/3, 6334/5, 6354, 6369/78, 6402/7, 6423/5, 6502/9, 6511/2, 7749/55, 7792, 7806/18, 7821/40, 7873/8, 8271/80, 8375/9, 8418/32.

The Paying Agent
BANQUE DE PARIS ET DES PAYS-BAS POUR LE GRAND-DUCHE DE LUXEMBOURG

BUFFELSFONTEIN GOLD MINING COMPANY LIMITED
(Incorporated in the Republic of South Africa)

The Annual General Meeting of the above company will be held at General Mining Building, 6, Hollard Street, Johannesburg, on Monday, 27 October 1980.

per pro: GENERAL MINING UNION CORPORATION (UK) LIMITED
London Secretaries
L. J. BAINES

30 Ely Place,
LONDON EC1N 6UA.
10 September 1980.

PROVINCE OF QUEBEC
9% DEBENTURES DUE 1st NOVEMBER, 1995

Debentures covering US$2,400,000 have been purchased on the market to satisfy the Purchase Fund due 1st November, 1980.

LEUMI INTERNATIONAL INVESTMENTS NV
US$20,000,000 GUARANTEED FLOATING RATE NOTES "B" 1987
EXTENDIBLE AT THE HOLDERS OPTION TO 1990

The interest rate applicable to the above notes in respect of the three month period commencing 1st October 1980 has been fixed at 14⅛% per annum.

The interest amounting to US$37.14 per US$1,000 principal amount of the notes will be paid on Friday, 2nd January, 1981 against presentation of coupon No. 1.

BANK LEUMI TRUST COMPANY OF NEW YORK
Principal Paying Agent

MATHESONS INVESTMENTS LIMITED
GBP5,500,000 7¼% CONVERTIBLE UNSECURED LOAN STOCK 1987/92

CLOSURE OF REGISTER

NOTICE IS HEREBY GIVEN that the Register of holders of the GBP5,500,000 7¼% Convertible Unsecured Loan Stock 1987/92 ("Loan Stock") will be closed on Wednesday, 8th October, 1980 (for this day only), to establish the identity of those loan stockholders entitled to the issue of HKDlr1,000,000,000 9½% Guaranteed Unsecured Loan Stock 1984/95 of Jardine Matheson (Finance) Limited with warrants to subscribe for stock units of Jardine Matheson and Co. Limited.

In order to qualify for the above new issue, all transfers, accompanied by the relevant loan stock certificates, must be lodged with the company's registrars, National Westminster Bank Limited, Registrar's Department, P.O. Box 82, 37, Broad Street, Bristol, S99 7NH, not later than 4.00 pm on 7th October, 1980.

MATHESON & CO. LTD.
P. H. BLAGBROUGH,
Company Secretary.

London,
30th September, 1980.

JARDINE, MATHESON & CO. LIMITED
HKDLR500,000,000 7½% CONVERTIBLE SUBORDINATED UNSECURED LOAN STOCK 1990

CLOSURE OF REGISTER

NOTICE IS HEREBY GIVEN that the Register of holders of the 7½% Convertible Subordinated Unsecured Loan Stock 1990 ("Loan Stock") will be closed on Wednesday, 8th October, 1980 (for this day only), to establish the identity of those loan stockholders entitled to the issue of HKDlr 1,000,000,000 9½% Guaranteed Unsecured Loan Stock 1984/95 of Jardine Matheson (Finance) Limited with warrants to subscribe for stock units of Jardine, Matheson and Co. Limited.

In order to qualify for the above new issue, all transfers, accompanied by the relevant loan stock certificates, must be lodged with the company's Registrars, Central Registration Hong Kong Limited, 1st Floor, Gammon House, Harcourt Road, Hong Kong, not later than 4.00 pm on 7th October, 1980.

By Order of the Board,
K. W. YOUNG,
Company Secretary.

JARDINE, MATHESON & CO. LIMITED

CLOSURE OF REGISTER OF MEMBERS

NOTICE IS HEREBY GIVEN that the Transfer Books and Register of members of the company will be closed from 8th October to 20th October, 1980, both days inclusive, to establish the identity of those stockholders entitled to the interim dividend for 1980 and the issue of HKDlr 1,000,000,000 9½% Guaranteed Unsecured Loan Stock 1984/95 ("Loan Stock") with warrants.

The interim scrip dividend with a cash alternative of HKDlr0.23 per stock unit will be paid on 17th December, 1980, to stockholders on the register of members on 20th October, 1980.

In order to qualify for the dividend and the entitlement to loan stock with warrants, all transfers, accompanied by the relevant share certificates, must be lodged with the company's Registrars, Central Registration Hong Kong Ltd., 1st Floor, Gammon House, Harcourt Road, Hong Kong, not later than 4.00 pm on 7th October, 1980.

By Order of the Board,
K. W. YOUNG,
Company Secretary.

Hong Kong,
30th September, 1980.

At a meeting of Unitholders of Midland Drayton Income, High Yield and Commodity and General Unit Trusts held yesterday a Resolution was approved whereby Management Participation was increased to ¼% per annum.

MIDLAND BANK GROUP UNIT TRUST MANAGERS LIMITED
A subsidiary of Midland Bank Limited
117 Old Broad Street, London EC2N 1AL.

AUCTIONS

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Companies and Markets

CURRENCIES, MONEY and GOLD

£ & $ steady

The dollar showed little overall change in currency markets yesterday, but retained a firm undertone. The recent rise in the U.S. unit has been underpinned by the prospect of higher U.S. domestic rates, and a 1.9 per cent increase for August in the U.S. index of leading economic indicators. Yesterday, however, the scope for further improvement may have been limited by small scale central bank intervention and a slightly easier tendency in Euro-dollar rates. Trading yesterday remained on the thin side ahead of the month end. Against the D-mark the dollar finished at DM 1.8120 compared with DM 1.8130 on Monday, and SwFr 1.6525 from SwFr 1.6535 in terms of the Swiss franc. The Japanese yen showed a firmer tendency, with the U.S. unit closing at Y210.85 from Y212.25 previously. On Bank of England figures, the dollar's trade weighted index eased slightly to 83.8 from 83.9.

Sterling traded within a very narrow band in generally featureless trading. Its trade weighted index was 76.0 at all three of the day's calculations, down from Monday's close of 76.1. Against the dollar it opened at $2.3890-2.3900, and rose briefly to $2.3920, before coming back to spend most of the day between $2.3875 and $2.3900. It finished at $2.3870-2.3880, a loss of 45 points, and its six consecutive fall against the dollar.

D-MARK—One of the weaker members of the European Monetary System, and unsettled just recently by Middle East unrest, and the continued rise in U.S. interest rates. The D-mark is close to a four-month low against the dollar, and a four-year low against sterling—Trading was generally at a low level in Frankfurt yesterday ahead of the month end. News of a fall in the latest West German cost of living index, to give a year-on-year rise of 5.1 per cent had little effect on the market. The dollar was hardly changed, being fixed slightly lower at DM 1.8113 compared with DM 1.8126 on Monday, with Euro-dollar rates showing a slightly weaker tendency. Intervention by the Bundesbank was probably very small if anything, given the rather light trading conditions.

DANISH KRONE—Remaining quite firm around the middle of the EMS, following two devaluations in 1979—The Danish krone was firmer against other currencies, at yesterday's fixing in Copenhagen, apart from the Japanese yen. The U.S. dollar was lower at DKr 5.5910 compared with DKr 5.6035, and sterling dipped to DKr 13.3555 from DKr 13.3755. Within the EMS, the D-mark slipped to DKr 3.0878 from DKr 3.0925, and the French franc was lower at DKr 1.3315 from DKr 1.3335.

JAPANESE YEN—Still firmer than a month ago, having been helped by the past weakness of the dollar, and a fundamental improvement in the Japanese economy. Just recently, however, fears over a disruption in oil supplies from the Middle East have limited the yen's improvement, as has a higher trend in U.S. interest rates—The yen was firmer against the U.S. dollar in Tokyo yesterday, with the U.S. unit closing lower at Y212.00 compared with Y213.00 on Monday. It opened at Y212.50, and rose briefly to Y212.90 before selling saw the rate fall to Y212.85 at one point. However, some profit-taking in the yen helped the U.S. unit recover towards the close.

THE POUND SPOT AND FORWARD

Sept. 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.3860-2.3920	2.3870-2.3880	0.62-0.52c pm	2.86	1.07-0.97 pm	1.71
Canada	2.7900-2.8030	2.7930-2.7940	1.45-1.35c pm	6.01	2.90-2.78 pm	4.04
Nethlnd.	4.68-4.72	4.69-4.70	2⅝-1⅝c pm	5.76	6⅝-5⅝ pm	5.11
Belgium	69.20-69.56	69.25-69.35	30-20c pm	4.33	60-50 pm	3.17
Denmark	13.33-13.39	13.34-13.35	½-1¼ore dis	−0.87	4½-5½ dis	−1.54
Ireland	1.1490-1.1540	1.1500-1.1510	0.20-0.15p pm	1.82	0.38-0.33 pm	1.23
W. Ger.	4.32-4.35	4.32½-4.33½	3½-2½pf pm	7.62	7½-6½ pm	6.70
Portugal	119.50-120.50	119.65-119.85	par-40c dis	−2.28	30-130 dis	−2.67
Spain	176.25-176.80	176.30-176.40	85-140c dis	−1.66	325-405dis	−8.28
Italy	2057-2061	2058-2059	9-12lire dis	−6.12	45½-49½ dis	−9.13
Norway	11.61-11.68	11.61½-11.62½	3½-2½ore pm	3.23	8-7½ pm	2.84
France	10.02-10.05	10.02½-10.03½	3½-2½c pm	3.59	8½-7½ pm	3.19
Sweden	9.92½-9.96	9.93-9.94	¼-1½ore dis	−1.36	2½-3½ dis	−1.23
Japan	500-510	503-504	1.95-1.80y pm	4.23	4.40-4.00 pm	3.36
Austria	30.57-30.72	30.60-30.65	10-12gro pm	5.09	29½-24½ pm	3.53
Switz.	3.93½-3.95½	3.94½-3.95½	4½-3½c pm	11.40	9½-8½ pm	8.37

Belgian rate is for convertible francs. Financial franc 69.45-69.55.
Six-month forward dollar 1.17-1.07c pm. 12-month 1.25-1.15c pm.
Belgium Sept. 29 69.40-69.50 (close)

THE DOLLAR SPOT AND FORWARD

Sept. 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.3860-2.3920	2.3870-2.3880	0.62-0.52c pm	2.86	1.07-0.97 pm	1.71
Ireland†	2.0725-2.0775	2.0730-2.0760	0.25-0.15c pm	1.16	0.20-0.10 pm	0.29
Canada	1.1689-1.1726	1.1722-1.1725	0.34-0.29c pm	3.22	0.68-0.63 pm	2.23
Nethlnd.	1.9645-1.9680	1.9670-1.9680	0.67-0.57c pm	3.78	1.90-1.80 pm	3.76
Belgium	28.99½-29.06	29.00-29.02	4½-3c pm	1.55	13-10 pm	1.59
Denmark	5.5835-5.5915	5.5880-5.5905	1.35-1.85ore dis	−3.44	3.75-4.25dis	−2.86
W. Ger.	1.8090-1.8135	1.8115-1.8125	0.74-0.70pf pm	4.77	2.33-2.28 pm	5.09
Portugal	50.10-50.25	50.15-50.25	15-30c dis	−5.38	35-75 dis	−4.38
Spain	73.83-73.95	73.90-73.95	65-85c dis	−12.17	180-210dis	−10.55
Italy	861.75-862.30	861.85-862.15	6-7½lire dis	−9.40	23-26 dis	−11.37
Norway	4.8655-4.8695	4.8675-4.8690	0.30orepm-0.20dis	0.12	1.60-1.10 pm	1.11
France	4.1975-4.2035	4.2020-4.2035	0.42-0.32c pm	1.08	1.85-1.80 pm	1.80
Sweden	4.1600-4.1640	4.1600-4.1615	1.45-1.60ore dis	−4.40	3.15-3.30dis	−3.10
Japan	210.30-211.90	210.80-210.90	0.30-0.15y pm	1.28	0.85-0.70 pm	1.47
Austria	12.80½-12.83	12.82-12.83	2.40-1.80gro pm	1.97	6.25-4.50 pm	1.68
Switz.	1.6470-1.6540	1.6520-1.6530	1.18-1.13c pm	8.39	3.27-3.22 pm	7.86

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

Sept. 30	Bank of England Index	Morgan Guaranty Changes%
Sterling	76.0	−29.5
U.S. dollar	83.8	−9.6
Canadian dollar	80.3	−17.7
Austrian schilling	154.6	+34.1
Belgian franc	114.7	+13.1
Danish kroner	105.0	−5.1
Deutsche mark	155.0	+42.8
Swiss franc	196.7	+79.9
Guilder	125.8	+20.0
French franc	100.4	−6.2
Lira	53.2	−51.8
Yen	135.4	+33.3

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

CURRENCY RATES

Sept. 29	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	16	0.549386	0.585159
U.S. $	11	1.31188	1.39790
Canadian $	11.20	1.53779	1.63876
Austria Sch.	6¾	16.8862	17.9350
Belgium F.	12	38.1495	40.6544
Danish K.	12	7.34853	7.83172
D'mark	7½	2.37791	2.53579
Guilder	8½	2.58809	2.75456
French Fr.	9½	5.51777	5.87956
Lira	15	1131.50	1206.04
Yen	8.25	279.430	297.850
Norwgn. Kr.	9	6.39542	6.81825
Spanish Pts.	8	96.8859	103.270
Swedish Kr.	10	5.45936	5.82924
Swiss Fr.	3	2.16768	2.31212

OTHER CURRENCIES

Sept. 30	£	$		£ Note Rates
Argentina Peso	4506-4626	1889-1936	Austria	30.45-30.75
Australia Dollar	2.0370-2.0400	0.8540-0.8548	Belgium	69.05 69.75
Brazil Cruzeiro	136.84-137.84	57.39-57.59	Denmark	13.30 13.40
Finland Markka	8.74-8.76	3.6665-3.6675	France	10.00-10.06
Greek Drachma	102.288-104.767	42.80-42.95	Germany	4.31-4.34
Hong Kong Dollar	11.93-11.96	4.9965-4.9985	Italy	2045-2145
Iran Rial	n.a.	n.a.	Japan	503 508
Kuwait Dinar(KD)	0.636-0.642	0.2675-0.2676	Netherlands	4.68¼-4.71¼
Luxembourg Frc.	69.25-69.35	29.00-29.02	Norway	11.60½-11.67½
Malaysia Dollar	5.0885 5.0925	2.1285-2.1305	Portugal	117-128
New Zealand Dlr.	2.4325-2.4365	1.0195-1.0205	Spain	171½-181
Saudi Arab. Riyal	7.90-7.96	3.3190-3.3205	Sweden	9.92½-9.98½
Singapore Dollar	5.0225-5.0325	2.1020-2.1040	Switzerland	3.92¾-3.95¾
Sth. African Rand	1.7975-1.8000	0.7530-0.7540	United States	2.381-2.396
U.A.E. Dirham	8.78-8.84	3.6890-3.6905	Yugoslavia	72-74

Rate given for Argentina is free rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU September 30	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	40.6262	+2.10	+0.76	±1.53
Danish Krone	7.72336	7.82146	+1.27	−0.07	±1.64
German D-Mark	2.48208	2.53515	+2.14	+0.80	±1.125
French Franc	5.84700	5.88115	+0.58	−0.76	±1.3557
Dutch Guilder	2.74362	2.75214	+0.31	−1.03	±1.512
Irish Punt	0.668201	0.674995	+1.02	−0.32	±1.668
Italian Lira	1157.79	1206.40	+4.20	+2.92	±4.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Sept. 30	PoundSterling	U.S. Dollar	Deutschem'k	Japan'seYen	FrenchFranc	Swiss Franc	DutchGuild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.388	4.330	503.5	10.05	3.948	4.695	2059.	2.794	69.30
U.S. Dollar	0.419	1.	1.814	210.9	4.201	1.653	1.966	862.2	1.170	29.03
Deutschemark	0.231	0.551	1.	116.3	2.316	0.912	1.084	475.4	0.645	16.00
Japanese Yen 1,000	1.986	4.742	8.600	1000.	19.92	7.840	9.325	4088.	5.548	137.6
French Franc 10	0.997	2.380	4.317	502.0	10	3.936	4.681	2052.	2.785	69.09
Swiss Franc	0.253	0.605	1.097	127.5	2.541	1.	1.189	521.5	0.708	17.56
Dutch Guilder	0.213	0.509	0.922	107.2	2.136	0.841	1.	438.4	0.595	14.76
Italian Lira, 1,000	0.486	1.160	2.103	244.6	4.872	1.918	2.281	1000.	1.357	33.67
Canadian Dollar	0.358	0.855	1.550	180.2	3.590	1.413	1.681	736.9	1.	24.81
Belgian Franc 100	1.443	3.445	6.248	726.6	14.47	5.696	6.775	2970.	4.031	100.

FT LONDON INTERBANK FIXING (11.00 a.m. SEPTEMBER 30)

3 months U.S. dollars		6 months U.S. dollars	
bid 14 1/16	offer 14 5/16	bid 14	offer 14 1/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris, and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market Closing Rates)

Sept. 30	Sterling	U.S.Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
†Short term	16¼-16½	13-13¼	10-11	9¼-9¾	1⅛-1⅝	8⅝-8⅞	11¾-12	14-17	13¼-13⅜	14-14½
7 days' notice	16¼-16½	13⅛-13⅜	10-11	9⅝-9⅞	2¾-3	8¾-8⅞	12-12¼	17¾-20¾	13⅛-13¼	11¾-12
Month	16⅟₁₆-16⁵⁄₁₆	13⅟₁₆-13⁵⁄₁₆	10⅜-10¾	9⅞-10	5⅝-5⅞	8¾-8⅞	12¼-12½	21½-23	13½-13⅝	11⅞-12
Three months	15¾-15⅞	13½-14⅟₁₆	11½-11⅞	10⅛-10⅜	5⅞-6	8¾-8⅞	12½-12¾	25-26	14⅛-14¼	11⅞-12⅛
Six months	15-15⅛	13⅞-14⅛	12¼-12⅜	10⅛-10½	5⅞-6	8¾-8⅞	13⅟₁₆-13⁵⁄₁₆	25½-26½	14-14⅛	11½-11⅝
One Year	14¼-14⁷⁄₁₆	13⅟₁₆-13⁵⁄₁₆	12¼-12⅜	10⅟₁₆-10½	5⅝-5⅞	8⅝-8⅞	13⅟₁₆-13⁵⁄₁₆	24-25	13⅞-13⅞	10½-10¾

Long-term Eurodollar two years 13¾-13⅞ per cent; three years 13⅝-13¾ per cent; four years 13½-13⅝ per cent; five years 13½-13⅝ per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice. Asian rates are closing rates in Singapore.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 12.90-13.00 per cent; three months 13.45-13.55 per cent; six-months 13.50-13.60 per cent; one-year 13.70-13.80 per cent.

INTERNATIONAL MONEY MARKET

European rates firm

Interest rates were mostly firmer in Europe yesterday. Call money in Paris rose to 11⅞ per cent, its highest level since the beginning of August, and up from Monday's level of 11⅝ per cent. This was seen as a continuation of the French authorities' determination to maintain a high level of interest rates in order to protect the value of the French franc.

In Frankfurt call money was little changed at 9.00 per cent, compared with 9.025 per cent previously, while period rate all showed a firmer tendency. One-month money rose to 9.10 per cent from 8.95 per cent, and the six-month rate was higher at 9.00 per cent against 8.875 per cent.

Rates in Amsterdam were slightly easier, however. Call money slipped to 9⁷⁄₁₆ per cent from 9⁹⁄₁₆ per cent, and rates up to one year showed losses of up to a quarter of a point. Call money was below the rate charged on the latest special advance facility offered by the Netherlands Central Bank. The 15-day loans were offered at 9⅞ per cent, and totalled Fl 1.571bn. Bids were fully allocated up to Fl 100m and higher amounts at 70 per cent.

In Singapore United Overseas Bank Group, one of the big four local banks, increased its prime rate to 11¼ per cent from 11 per cent, the first to do so. This is the latest move in the recent trend towards higher prime rates, following a tightening of liquidity in the money market. The other three banks all have prime rates of 11 per cent at the moment.

UK MONEY MARKET

Small help

Bank of England Minimum Lending Rate 16 per cent (from July 3, 1980)

After a flat forecast the Bank of England was required to give a small amount of assistance in the London money market yesterday. This comprised small purchases of local authority bills, direct from the discount houses. Conditions were relatively comfortable to start with, as the end of the quarter encouraged banks to place money with the discount houses in order to fulfill reserve asset requirements. However, the small balances brought forward by banks, coupled with a moderate excess of Government disbursements over revenue transfers to the Exchequer, were countered by a small net take-up of Treasury bills to finance, and the unwinding of a previous sale and repurchase agreement involving a small number of commercial bills.

Discount houses were paying between 14 per cent and 15 per cent for secured call loans for most of the day. In the inter-bank market the position was somewhat tighter, and after an opening level of 16½-16⅝ per cent, overnight money dipped briefly to 16 per cent before rising to 17 per cent around lunchtime. Later in the day balances commanded up to 30 per cent, before settling back to around 16 per cent.

GOLD

Further fall

Gold continued to ease in the London bullion market yesterday as the latest Middle East crisis receded more into the background. The metal lost $11 an ounce to close at $669-672, after an opening level of $668-671. It touched a best level of $673-674 during the morning, but came back after New York had entered the market to a low of $666-667.

In Paris the 12½-kilo bar was fixed at FFr 90,200 per kilo ($668.05 per ounce) compared with FFr 90,250 ($668.34) in the morning, and FFr 91,400 ($675.89) on Monday afternoon.

In Frankfurt the 12½-kilo bar was fixed at DM 39,030 per kilo ($670.98 per ounce) against DM 39,965 ($686.06) previously, and closed at $667-670 per ounce compared with $697-700 on Monday.

In Zurich gold finished at $667-$670 against $698-701 previously.

	Sept. 30		Sept. 29	
Gold Bullion (fine ounce)				
Close	$669-672	(£280-281½)	$680-683	(£284¾-286¼)
Opening	$668-671	(£279½-281)	$681-684	(£285-286½)
Morning fixing	$670	(£280.511)	$687.25	(£287.829)
Afternoon fixing	$666.75	(£279.010)	$679.25	(£284.110)
Gold Coins				
Krugerrand	$688-690	(£287½-289½)	$701-703	(£293-295)
1/2 Krugerrand	$353-356	(£147-150)	$358-363	(£149-152)
1/4 Krugerrand	$178-183	(£74-77)	$181-186	(£75-78)
1/10 Krugerrand	$72-75	(£30-32)	$74-77	(£30¼-32¼)
Mapleleaf	$682-686	(£285-288)	$695-699	(£290-293)
New Sovereigns	$169½-170½	(£70¾-71¾)	$173-174	(£72¼-73¼)
King Sovs	$192-194	(£80-81½)	$193-195	(£80¾-81¾)
Victoria Sovs	$192-194	(£80-81½)	$193-195	(£80¾-81¾)
French 20s	$165½-167		$166-168	
50 pesos Mexico	$825-829		$843-847	
100 Cor. Austria	$650-655		$666-669	
$20 Eagles	$775-779		$789-792	

MONEY RATES

NEW YORK	
Prime Rate	13
Fed Funds	13-13¼
Treasury Bills (13-week)	11.50
Treasury Bills (26-week)	11.82
GERMANY	
Discount Rate	7.50
Overnight Rate	9.00
One month	9.10
Three months	9.15
Six months	9.00
FRANCE	
Discount Rate	9.5
Overnight Rate	11.875
One month	12.0625
Three months	12.3125
Six months	12.4375
JAPAN	
Discount Rate	8.25
Call (Unconditional)	11.375
Bills Discount (three-month)	11.46875

LONDON MONEY RATES

Sept. 30 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	16-30	—	—	—	16-16¾	14-15	—	—	—
2 days notice	—	—	16⅜	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	16¼-16⅛	16⅛	—	16⅜	16⅝-16⅞	14⅞-16¼	—	—	—
One month	16¼-16⅛	16¼-16⅝	16⅜	17⅛-17⅜	16⅝	16¾-16⅞	15⅝	14⅜	16⅛	16⅞
Two months	16⅟₁₆-15⅞	16⅛-16¼	—	16⅛-16⅝	16⅟₁₆	—	14¾-14⅞	14⅜	15⅟₁₆-15¾	16⅜
Three months	15⅟₁₆-15⅝	15⅞-16	15⅞-16	15¾-16¼	16⅛	16⅜-16⅛	14¼-14⅛	14⅜-14⅟₁₆	15⅛-15⅟₁₆	16
Six months	15⅟₁₆-14¾	15⅛-15¼	15	14⅝-15	15⅝	15¾	—	—	14-14⅟₁₆	14¾
Nine months	14¼-14	14⅝-14¾	—	14⅝-14⅞	14⅟₁₆	15⅛	—	—	—	—
One Year	13⅟₁₆-15⅟₁₆	14¼-14⅜	14⅛-14¼	14⅛-14⅜	14⅛	14¾	—	—	—	—
Two years	—	—	13¾-13⅞	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13½-13¾ per cent; four years 13½-13¾ per cent; five years 13½-13¾ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month banks bills 14⅜-14⁷⁄₃₂ per cent; four-month trade bills 15¾ per cent.

Approximate selling rate for one-month Treasury bills 14⁹⁄₃₂-14¹¹⁄₃₂ per cent; two-months 14⅜-14⅞ per cent; three-months 14⅜-14⁹⁄₃₂ per cent. Approximate selling rate for one-month bank bills 16 per cent; two-months 15⁵⁄₁₆-15⅜ per cent; three-months 15-15⅜ per cent; one-month trade bills 16⅝ per cent; two-months 16⅜ per cent and three-months 15⅞ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 16½ per cent from October 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 14 per cent. Clearing Bank Rates for lending 16 per cent. Treasury Bills: Average tender rates of discount 14.3317 per cent.

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Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

● STANDARDS

Language flies a British kite

COMPUTER LANGUAGES, as insubstantial as poetry, now have a new mark of permanence. The British Standards Institute has published a standard for the language RTL/2 (Real Time Language/2) and awarded it both a BSI number BS 5904 and the coveted kitemark.

It is thought to be the first time any computer language has been given such a distinction, although it is understood that another British real time language, Coral 66, much used by the military, is well on the way to BSI approval.

Why should a computer language need a British Standard? "That's a good question," John Barnes, who designed the language in 1974 for ICI mused: "From the consumer's point of view it gives added legal protection. It means that the customer has a valid reason to complain if the language does not do what it is supposed to do."

"The other advantage, from our point of view, is the amount of work that went into preparing the language for inspection. The documents were scrutinised by a very large community, which meant that rough edges and errors were spotted."

There are, of course, other standards organisations such as the International Standardisation Organisation (ISO) which is in general the primary international authority for standards on the use of computers and office automation, but British Standards have primary authority in the UK.

RTL/2, marketed by the software house Systems Programmers (SPL) is used both in the UK and abroad; SPL have recently made sales to Siemens and Le Roux in South Africa, Philips in Sweden, the Argentine Navy and the Institute for Industrial Cybernetics and Robotics in Bulgaria.

RTL/2 is an industrial language, used to control processes and systems. It is quite different in concept, therefore, from, say, an airline reservation system, which is also an example of computers working in real time but where the chief business transacted is between people rather than machines.

Its competitors among computer languages include Basic, which lacks some of RTL/2's sophistication in data structure and Fortran, the best scientific programming language.

The BS number can already be found on a host of office machinery from typewriters to flow charts. Will lucky software designers now be allowed to display a tiny kitemark in the corner of the screen of their terminals on award of the standard?

Multi-role tractor

BUILT IN Italy, a high ground clearance tractor called the IBIS 445 has been specially designed for work in vineyards, orchards and on farms where growing crops have to be straddled.

The vehicle has a 3-cylinder 45 hp air-cooled diesel engine and four-wheel drive which makes it suitable for operation on very soft ground and rough terrain. The gearbox offers seven forward and three reverse gears and top speed is about 30 km an hour.

Fitted with a driving cab, giving the operator full protection from the weather, the tractor has an articulated chassis which can carry a dumper-type body. There is also a power take-off which can be used to drive a variety of implements for such tasks as ploughing, ridging and manure spreading.

The maker says the tractor is particularly suitable for crop spraying and special equipment for carrying out this task is available.

Full details of the tractor and accessories available can be obtained from LAMI, via F. lli Rosselli, 12 42019 Scandiano (RE), Italy.

● PROCESSES

All done by mirrors

MULTIPLE MIRRORS are used to make a laser beam "write" the required pattern in machines introduced by Desitech of Wellingborough for cutting sheet and Siemens of West Germany for component labelling.

A pre-requisite for shifting the beam in this way rather than moving the work under it is good positional stability of the beam emitted from the laser.

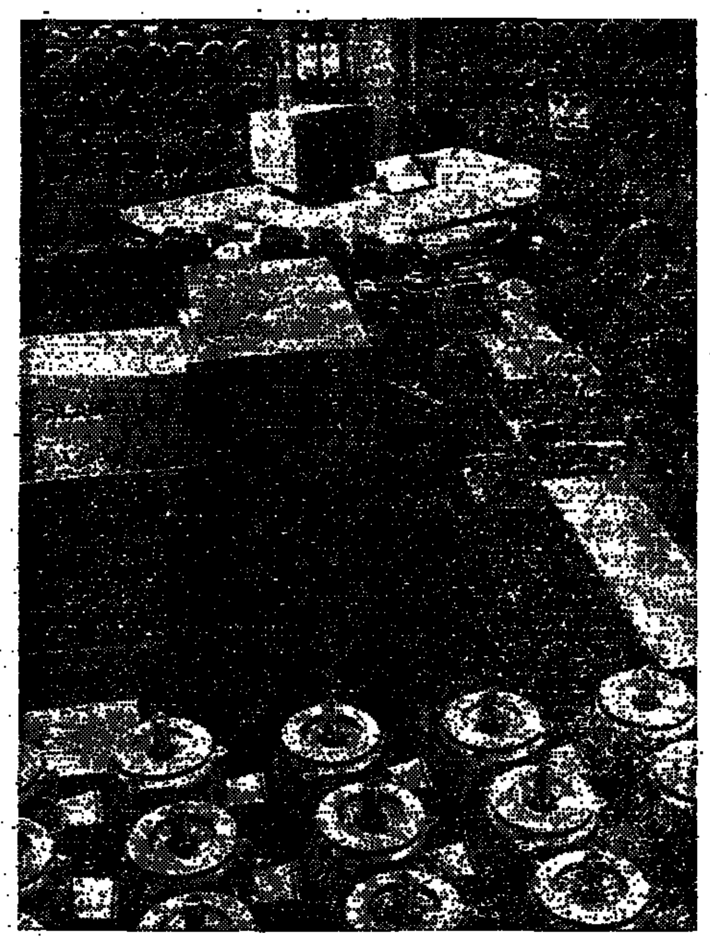
Desitech has employed the Everlase 325 carbon dioxide laser made by Coherent of Cambridge, able to produce 2 kW pulses. The laser is housed horizontally near to the cutting table and the beam is taken along the side of and across the table by means of mirrors to a head at which it is finally deflected down on to the work. The head containing the final mirror can be moved in the X and Y directions through distances of 2.0 and 1.7 metres respectively. Typically, mild or stainless steel 0.24 mm thick can be cut at 10 metres/min while aluminium 1.0 mm thick can be dealt with at 0.5 metres/min.

Other materials that can be successfully cut include ceramics, plastics, elastomers, rubbers, wood and fibrous materials.

Precision in profiling is one of the main advantages of the laser; the beam in this case can be focused to a spot size of 0.12 mm for drilling and cutting and the heat affected zones are kept to a minimum.

Edge quality is good; most materials are instantly vaporised and therefore easily removed with ducts. Furthermore, the precise tolerance control resulting from use of the GE(USA) 1050 computerised control system means that the finish is good enough to obviate further finishing processes in many cases.

The Desitech system can be adapted for specific sheet cutting and drilling applications and other control systems or lasers can be used. Linear cutting, profile cutting of any shape, drilling, perforating and even flat bed welding can be programmed.



The Silamatik YAG solid-state laser system for marking materials.

From Siemens comes news of the Silamatik YAG solid state laser system which, in conjunction with a minicomputer can be linked into automatic production sequences for marking and inscribing materials.

In this system the beam is deflected by pivoted mirrors and focused by a lens, allowing writing in an 80 mm diameter field without moving the workpiece.

The various typefaces of numerals, letters and special symbols are programmed into the minicomputer and the required text can be inserted via a suitable typewriter or from punched tape.

Likely applications will be in nameplates for cars, electric motors and valves, electronic components and many other small items. A particular advantage is that markings can be made on uneven surfaces and inside cavities that would otherwise be inaccessible—and the inscriptions are indelible short of grinding them off.

Desitech is at Bradfield Road, Willingborough, Northants, NN8 4HB (0933 223968) and the Siemens UK address is Windmill Road, Sunbury-on-Thames, Middlesex, TW16 7HS (09327 85691).

● MATERIALS

Edging in on the market

LONG IN the business of making spun kraft and cellulose materials for hard or soft edging and piping on upholstery, mattresses, chair and sofa frames, Somic of Preston, Lancs, has purchased the business interests of Textilose Ltd. in both the UK and overseas.

The company also makes Somyarn which is used extensively in the animal feed and electrical trades (markets for these products have been parallel to those of Textilose) and the recent deal will enlarge Somic's share in these sectors.

Machinery from the taken-over company will be transferred to Somic's Preston factory to widen the range of products the company now offers, including extruded plastic "tackroll" for the upholstery industry.

● EXHIBITIONS

Displays of displays

THIRD IN a series which first started in 1976, this year's Exhibition and Display Systems Fair, Modulux '80 (West Centre Hotel, Fulham, SW6, December 9-11) will be the largest to date and has already disposed of 90 per cent of available space.

Overseas exhibitors will come from Sweden, America, France, Switzerland and Germany and indications are that the exhibition will be used for the launch of several new display systems, says Phase 2, Rusham Road, Egham, Surrey.

● COMPUTERS

Minis now have maxi features

NEW SMALL computers from the U.S. manufacturer Wang, and the UK company Computer Technology, emphasise the trend towards more features for less money.

The Wang machines are central processors, the part of the computer which carries out the actual computation, for its 2200 series of small business systems.

The first of the new processors is the 2200LVP which starts at a price of under £10,000 yet can support up to four users at the same time. New features include a sophisticated fixed disc storage system of two, four or eight megabyte storage capacities.

The 2200LVP is compatible with the current Wang 2200VP and 2200MVP small business computer systems and uses the same language—Basic II. Deliveries in the UK will begin later in the year.

The second new processor is the 2200SVP, a single user machine with 32,000 bytes of user memory and 64,000 bytes of storage. For this small machine, prices start around £7,500.

The new CTL machine the 8026 is described as a midrange complement to the existing 8046 processing system.

The 8046 is at the large end of the minicomputer range; the new 8026 is described as a small or first time user machine with prices including compatible software, discs and peripherals starting at around £30,000.

The communications capability of the 8026 is reckoned to be a strong feature, supporting remote terminals and communicating with other Computer Technology and other manufacturers' systems. Computer Technology says it is planning to offer an X25 interface soon. That means its equipment will be able to link into international packet switched networks.

Wang is on 01-828 7821; Computer Technology on 0442 3272.

● DATA PROCESSING

Germans get on right lines

POINT OF sale terminals, from stand alone cash registers to communicating "backroom" computer systems are becoming common enough in shops, but a similar system for selling railway tickets and charging for freight presents different problems, not least of which is the fact that almost every "product" sold is different.

The scale of the problem approaches that of the airlines, although the seat booking aspect is less prominent and some of the activity is more local in nature.

For the German Federal Railways Triumph Adler seems to have the right formula with its TA1069 terminal, some 5,000 of which have recently been installed as part of the network's integrated transport system (ITS).

Linked to a central computer base in Frankfurt are ten regional centres, some 90 data centres and 5,000 of the Adler terminals.

At railway stations these terminals are able to issue tickets, including season tickets and deal with bookings and reservations both inside and outside Germany.

In conjunction with the rest of the network and the central processors the terminals can deal with central invoicing and accountancy of freight services, provide information about train movements and survey all the main connections within the country.

When a customer asks for a ticket, the clerk keys in the code of the destination station whereupon ticket price, distance, connections that need to be made and any possible supplements all appear on the screen. The terminal can also bring up some 3,000 international train connections and will perform the most complex tourist bookings.

At close of business balancing the till becomes a relatively simple matter since, with all the transactions stored their financial total can be obtained at the touch of a button.

By 1984 the railway will have installed these terminals in 350 of the largest ticket counters in Germany and Adler says that orders have been obtained from The Netherlands while the Soviet Union is evaluating the system.

Adler Business Systems is at Jordan House, 47 Brunswick Place, London N1 6EG (01-251 2712).

Cuts out the reflections

RELATIVELY inexpensive filters which can be placed over the face of visual display screens have been introduced by Glare Filter of 20 Eastwick Road, Walton on Thames, Surrey (09322 465510).

The company points out that there are several ways of reducing external light reflected from the outside glass surface of a cathode ray tube but asserts that even the most cost-effective treatments are expensive and tend to result in less brightness of the screen image, with loss of clarity of the alpha numeric characters that have to be read.

These deficiencies have been overcome, claims the company, with a filter that is constructed of light-absorbent black nylon fibres which are woven in an extremely regular square pattern which results in a honeycomb effect, trapping and absorbing light which is incident at an angle and likely to give reflective glare.

Fixed with bezel or stuck directly to the tube face, the filter also produces a limited cone of vision preventing persons other than the operator from seeing the screen: variable acceptance angles can be provided.

● HANDLING

Swiss-made hoists

IN SEEKING a top quality hoist with a level of engineering, performance and reliability to match its cranes, Burmah company J. H. Carruthers believes it has achieved success with Swiss-made Brun hoists.

From Nebikon, between Berne and Zurich, Brun supplies hoists to over 20,000 patterns and the company says it has earned a reputation for simplified design, reduced overall size and ease of maintenance.

First cranes from Carruthers' assembly lines are now being fitted at College Milton, East Kilbride, Glasgow (03552 20591).

WORLD STOCK MARKETS

Early Wall St. technical rally

IN a technical rebound to the recent weak performance, Wall Street stocks picked up in active but reducing trading yesterday morning.

The Dow Jones Industrial Average, which had receded some 52 points in the space of a week from a three-and-a-half year high, rallied 5.29 to 927.22 at 1 pm. The NYSE All Common Index retrieved 53 cents to $71.79, while advances outscored declines in the ratio of nine-to-five. Turnover contracted to 28.60m shares from the previous day's 1 pm level of 33.99m.

News that the index of leading Economic Indicators rose 1.9 per cent in August was considered encouraging because it was on the low end of market expectations. Also, the July index was downward revised.

Analysts said the report suggested the economic recovery was weaker than previously believed, which should make it easier for the Federal Reserve to slow money supply growth.

The market fall since last Monday week came largely on rising interest rates and fears that the Fed would further tighten credit to slow money supply growth. The Bond Market also firmed on the Leading Indicators news.

Some interest rate-sensitive issues gained ground. Among the actives, Federal National Mortgage hardened ⅜ to $13⅜ and American Telephone ¼ to $51¼.

Some retailers also firmed. Active K Mart added ¼ at $20¼, and F. W. Woolworth ¼ at $25.

Memorex gained ⅝ to $14. It is developing a computer data storage system to compete with some IBM models. Volume leader IBM improved ¼ to $64.

THE AMERICAN SE Market Value Index recouped 3.62 at 328.00 at 1 pm on volume of 3.40m shares (4.43m).

High Technology issues were strong.

Closing prices for North America were not available for this edition.

Commodore International climbed 5¼ to $86¼. It is to begin selling several new products in the next few months, including an electronic cash register, a microcomputer, a management information system and a word processing system. The company also forecast fiscal 1981 profit gains.

Matrix rose 3⅛ to $26, Dataproducts 1¼ to $30, Wang Laboratories "B" 2⅜ at $56⅝ and Timeplex $1 to $24¼.

Canada

Markets were mixed in active early dealings after recent weakness. The Gold shares index recovered 126.8 to 5,763.6 at noon, helping the Toronto Composite index to rally 6.7 to 2,245.5. Oil and Gas picked up 27.3 to 4,502.9, but Banks lost 2.79 to 372.33.

Tokyo

The strong uptrend of recent sessions was halted early yesterday, being replaced by an easier tendency as investors showed hesitancy in the face of the sharp overnight Wall Street setback on U.S. interest rate and economic worries. However, Energy-related issues, speculatives and some middle-class Blue Chips advanced later in the day as foreign investors re-entered the Tokyo market.

The Nikkei-Dow Jones Average finished a net 15.71 higher at a new all-time peak of 7,076.46, while the Tokyo SE index gained 0.67 to 488.79 after a fair turnover of 330m shares (380m).

Among Oil and Coal issues, Arabian Oil put on Y150 more to Y2,950, Toa Nenryo Y15 to Y870 and Mitsui Mining Y35 to Y670.

Pharmaceuticals like Takeda, up Y20 at Y669, later rose on active buying by domestic speculators and foreigners on hopes for a further earnings increase this business year, while some Trading Houses, Machine Tools and Foods also found support. Mitsui Mining, Anada and Tsugami went up on news that they will be added to the list of stocks qualified for margin trading next month.

However, Steels, Heavy Machinery issues, Electricals and Shipbuildings, popular sectors of late, lost ground on profit-taking. Nippon Steel eased Y3 to Y146, Sumitomo Metal Y5 to Y182, Hitachi Y6 to Y320, Toshiba Y4 to Y217, Sony Y60 to Y3,090 and Mitsui Engineering and Shipbuilding Y5 to Y175.

Hong Kong

The recent sharp slide in share prices gave way to a rallying session early yesterday morning. However, the market subsequently resumed its retreat to close weaker on the day after another active trade, further weighed down by the announcement from Jardine Matheson that it will make a HK$1bn rights issue of 9½ per cent Loan stock with Warrants. Jardine receded HK$1.60 to HK$24.00.

The Hang Seng index, which had fallen 86 points over the past week from a seven-year high, recouped 11.74 before declining to 1,213.68, off 13.54 more on balance.

The prospect of higher interest rates resulting from Saturday's Hong Kong Exchange Banks Association's interest rate fixing meeting also continued to hang over the market. This was some help to Bank issues, which were relatively steady, but among Properties, Cheung Kong lost 70 cents to HK$26.00 and Swire Properties 15 cents to HK$8.50.

Milan

Stock prices closed sharply higher, having quickly reversed the downward trend of the previous day which was due to the Government crisis and tightened monetary policy. The Banca Commerciale Italiana index, down 3.51 on Monday, rose 5.01 to a high for the year of 141.15.

Insurance, Real Estate and Bank issues led the market ahead in heavy trading.

Positive company reports, rumours of take-over and merger operations, as well as active demand on companies with large real assets, considered a safe investment against rising inflation, were behind the market rise, somewhat unexpected for its extent.

Brokers said the Government crisis was underplayed by internal market factors. However, they warned that prolonged negotiations for a new Government or unexpected developments on the political plan could reverse the trend at any moment.

Germany

Share prices held fairly steady in what brokers said was remarkable resistance to otherwise bearish news. The Commerzbank index rallied 1.1 to 719.5.

Brokers said that despite rising U.S. interest rates and the sharp Monday fal on Wall Street, yesterday's light trading on German Bourses registered only a slight mixed reaction. They attributed the resistance to bad news to the end-of-month tax and accounting deadline, with few investors ready to make major shifts in their portfolios.

On the Domestic Bond market, however, Public Authority Loans recorded fresh falls ranging to 70 pfennigs, and the Bundesbank bought DM 33.5m nominal of paper after purchases of DM 26.8m on Monday.

Paris

Shares were mixed to easier in quiet dealings. Observers said investors were discouraged by the weakness on Wall Street on Monday, but there had been some bargain hunting by institutional investors.

Australia

Stock prices closed on a mixed note after subdued trading, with only a few special situation issues drawing some attention.

MIM stood out in the Minings sector with a further advance of 26 cents at A$5.26, making a two-day rise of 51 cents as U.S. investors continued their buying.

NEW YORK

Indices

NEW YORK — DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

MONTREAL

TORONTO Composite

NEW YORK ACTIVE STOCKS

CANADA

BELGIUM (continued)

DENMARK

FRANCE

GERMANY

HOLLAND

ITALY

NORWAY

SWEDEN

SWITZERLAND

AUSTRALIA

HONG KONG

JAPAN

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

BRAZIL

AUSTRIA

BELGIUM/LUXEMBOURG

COMMODITIES AND AGRICULTURE

Tate & Lyle hits at EEC sugar plans

BY JOHN EDWARDS, COMMODITIES EDITOR

TATE AND LYLE issued a blunt warning yesterday that it would be forced to cut back its UK refining capacity still further if the latest EEC Commission proposals for a new Community sugar regime were approved.

Lord Jellicoe, chairman of Tate and Lyle, said the original proposals for a cutback in EEC sugar output announced by the Commission last year would have given Tate and Lyle the best chance to operate profitably at the present level of refining capacity. But the revised proposals were not acceptable and the company would "fight them with every means at our command."

He pointed out that because of good beet crops in 1979-80 and that expected in 1980-81 there was insufficient room for cane refined sugar in the UK market. They could not sustain the high costs created by under-utilisation of production capacity for very much longer. Unless there was a prompt decision in favour of the Commission's original proposals, which would have cut back UK beet production to 936,000 tonnes, Tate and Lyle would be forced to make a further reduction in its refining capacity. This might affect the company's ability to refine all the cane sugar, supplied by the ACP (African, Caribbean and Pacific) countries, which had traditionally come to the UK.

The revised proposals for the EEC sugar regime from the Commission were due to be presented to the Farm Ministers meeting in Brussels yesterday but no immediate decision is expected to be taken. Under the new plan UK beet output would be cut back to 1,092,000 tonnes. This would be made up of an unchanged A quota, receiving the full guaranteed price, of 1.04m tonnes and a B qouta reduced from 286,000 to 52,000 tonnes.

The planned cutback in EEC beet output has already been delayed for a year, because of opposition from member countries, including Britain, to the original proposals. However, it is feared that unless there is a reduction in UK beet production soon Tate and Lyle will be forced to close its Liverpool refinery. This is in an area of high unemployment and would raise an outcry from the unions involved. At the same time under the Lomé Convention the EEC is committed to importing 1.3m tonnes of cane sugar from developing countries, most of them in the Commonwealth.

But Tate and Lyle provides the main outlet for cane sugar *imports*, and *if its refining* capacity is cut back it might be unable to handle the full 1.3m tonnes of cane imports.

Adding further confusion to the situation is the strong rise in world sugar values to well above EEC price levels. This means that the EEC is now earning, rather than spending, money on exporting its surplus sugar production.

Yesterday world sugar prices rose again following renewed fears of the Soviet beet crop being hit by frost.

Rik Turner in Sao Paulo writes: About 240,000 sugar cane workers in the Brazilian state of Pernambuco have been on strike since September 29th preventing 76,190 tonnes of cane a day being delivered to the state sugar mills.

Pernambuco is responsible for almost one sixth of total Brazilian production, and this year was to produce 1.2m tonnes The workers' demands are for a reduction in productivity per man plus an increase in wages of 98 per cent, while the mill owners are offering an increase in the productivity index of 2 per cent to 10 per cent depending on volume cut.

The employers blame the government which recently granted an increase of 38 per cent in cane prices when they had asked for 75 per cent.

Brazil seeks loan for alcohol project

BY RIK TURNER IN SAO PAULO

BRAZILIAN trade and industry minister, Senor Camilo Pena is negotiating a $1bn loan from the World Bank for the amplification of Proalcool, the national alcohol programme. The programme which reduces Brazil's dependence on imported oil by replacing petrol with sugar derived ethanol has an existing target of 10.7 bn litres of alcohol by 1985.

However, with the World Bank loan, *this would undergo* an increase, with "the figure being discussed" of 14bn litres according to Senor Pena.

Senor Pena nonetheless hopes to continue the programme without recourse to foreign loans. The world bank offer comes with the provision that the programme be opened to foreign capital goods manufacturers, who have so far been excluded in favour of nationals. But Senor Pena recognised that the offer "must be seen in the light of our investment capacity, presently reduced by $10bn a year, which we are having to pay for oil imports."

In addition, Senor Pena said that Brazil must invest $3bn a year on the development of alternative energy sources such as alcohol and coal.

Another alternative currently under discussion is a smaller loan from the world bank of $250m to $500m without the stipulation of an opening to foreign competition for equipment.

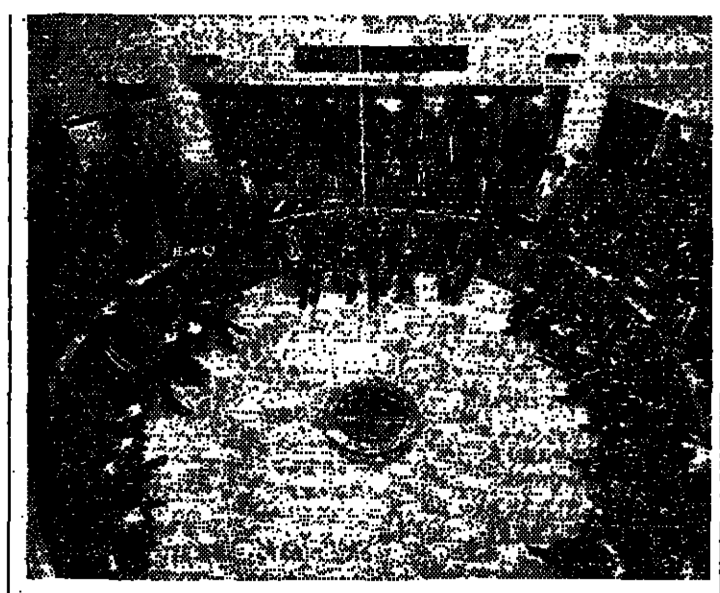
Such a loan would not however be accompanied by an increase in Proalcool's production targets.

Brazil to import more fertilisers

BRAZIL will import $1.19bn in fertilisers this year, compared with $422m in 1979.

Senor Jose Israel Vargas, industrial technology secretary to the Ministry of Trade and Industry explained that the increased demand for fertilisers is due to the government's policy of giving priority to agriculture, both for the *production of foodstuffs* and alternative energy sources.

The national alcohol programme, which replaces petrol with sugar derived ethanol, for private transport, will increase demand for fertilisers by 750,000 tonnes a year if the production target of 10.7bn litres is to be met by 1985, said Senor Vargas.



Metals market move

SIR PETER GADSDEN, Lord Mayor of London, officially opened yesterday the new premises of the London Metal Exchange at Plantation House, Fenchurch Street. By coincidence Sir Peter is the first member of the Metal Exchange to be Lord Mayor.

The move by the Exchange, after 98 years at Whittington Avenue, Leadenhall Market, comes as a result of increased business and markets requiring a need to go to more modern and larger premises. *Although* the traditional "ring," pictured above occupies much the same space as previously, the new Exchange has a separate visitors' gallery and much expanded reception and office areas.

No decision has been made yet whether the new Exchange will house the proposed gold futures market that is expected to be launched early next year.

However it was confirmed yesterday that another commodity market — coffee futures — would be moving to Plantation House as well from its existing premises at the Corn Exchange, Mark Lane. The move, which is expected to take place around December 1, is *because of overcrowding at* Mark Lane, following the upsurge of interest in the coffee market. The new market will be in the basement of Plantation House.

Coffee up as pact talks hopes revive

BY OUR COMMODITIES STAFF

HOPES of a last-ditch breakthrough in the long-running international coffee talks stimulated fresh buying on the London terminal market yesterday and pushed prices up by more than £25 a tonne.

November robusta futures closed at £1,057.5, an increase of £29 a tonne, having dipped *to £1,014 in earlier trading.* Another factor boosting prices was the expiry in the afternoon of the spot September position that had depressed prices for so long.

An eight-member contact group of producing and consuming members of the International Coffee Organisation met yesterday evening in London to try to hammer out an agreement on quotas on the basis of a paper prepared by the ICO's executive-director, Mr. Alexandre Beltrao.

Producers had failed to agree on how they might distribute quotas among themselves; consumer members refused to consider a possible *price range for the operation* of quotas until the producers had reached agreement. But it was widely understood that the consumers rejected the suggested price range as too high.

Mr. Beltrao's working paper suggested a range of 120 to 160 a pound, with an initial global quota of 56.9m bags.

CITRUS SUPPLIES

Soft fruit spearheads Spanish triumph

BY A CORRESPONDENT

THE 1979/80 season was a *triumph for Spanish citrus* exports, on which Britain spends about £40m, after a disastrous year previously.

Production, sales and prices all rose together, largely because the "soft citrus" portion of the crop, consisting notably of satsumas and clementines, increased substantially in relation to oranges. In 1979/80, *Britain bought 23 per cent more* soft citrus than the year before.

So favourable was the market for soft citrus that in spite of rain and other setbacks to oranges in the early part of 1980 *the season as a whole* was the best for years.

The signs for 1980-81, which included a recent official forecast for the coming Spanish citrus crop, are even more propitious. *In total volume the* harvest should be fractionally heavier than last season's, but the prediction is for 4.1 per cent more soft citrus and 3 per cent less oranges—which would both accord with market preferences and marginally reduce the climatic risks that have historically been greater for oranges in the second half of the season than for soft fruit in the first.

In 1975/76, Spain's output of soft citrus was 233,000 tonnes, followed by figures of 250,000, 302,000, 385,000 tonnes and a *quantity for 1979/80 that has* not yet been totalled. The amount is expected to exceed comfortably 400,000 tonnes for the season that starts next month.

Although clementines are the most important of the soft citrus group in Europe as a whole, it is the satsuma that is most popular in Britain, *accounting for a jump in UK* consumption to 133,000 tonnes last season from 108,000 tonnes in the one before.

Thanks partly to the poison rumours that pursued Israeli oranges long after investigations had cleared them, UK consumption of Spanish oranges also rose last season. Navelates and Novelinas showed the largest gains, though they were less profitable than satsumas and other soft citrus.

Rain in Spain throughout the second half of February created doubts about quality and *supplies. This lowered values* and deprived Spain of the chance, which looked possible for the first time, of exporting 2m tonnes of citrus—about two-thirds of the whole crop.

Spain's *success throughout* Europe with soft citrus last season was achieved in spite of a spurt in the supply of Moroccan clementines—which paralleled on the Continent the performance of satsumas in Britain.

Spain's success has been partly due to the effect on the quality of satsumas and other soft citrus of a recommendation by the Valencia-based Committee of Management. It urged that picking be delayed beyond the traditional date when producers and exporters aimed at being first on to the market for top returns.

This action, which proved so beneficial in the past two seasons, has been prescribed again, and its impact for 1980-81 should be even greater, so picking of the clausellina strain of early satsuma will begin on September 29.

The revival in Britain's citrus consumption, which had been static for years, has also been encouraged by the strength of sterling.

Spain will continue to extend *its emphasis on quality*, not least because Morocco, which provides its toughest competition in soft citrus and enjoys an eight-per-cent tariff advantage over Spain in the EEC, is *now stepping up exports of* clementines as new trees begin bearing.

Intervention test personnel increased

THE Flour Milling and Baking Research Association, which tests cereals offered by British farmers for Intervention storage funded by the EEC, said a second team had been drafted in to work on testing.

Asked about reports that the Intervention Board for agricultural produce might have to use laboratories in Holland to help with the testing, the Association said use of Dutch laboratories had been considered, but it was felt the Association would be *able to handle the extra work* load.

The extra work has been made necessary by the big increase in the amount of cereals offered for intervention in Britain this year resulting from the fact that intervention prices are more attractive than those obtainable on the market.

The Home Grown Cereals Authority said yesterday that after allowing for withdrawn offers, a total of 543,000 tonnes of grain, including rapeseed, had been offered for intervention since selling started at the end of July.

Offered for intervention were *363,000 tonnes barley*, 175,000 breadmaking wheat, 200 tonnes feed wheat, 4,460 tonnes rapeseed and 300 tonnes oats.
Reuter

Loan for Polish purchase of UK grain

● Poland has been guaranteed a new $30m line of credit by the British Export Credit Guarantee Department.

This is the fifth ECGD-backed line of credit in support of sales to Poland of UK produced barley and wheat to be concluded since 1978. The previous lines have *been fully used*, the ECGD aded.

Grain traders said the loan would cover around 200,000 tonnes of British feed barley on a cif basis at current market price levels.

They also believed exporters had already purchased grain in anticipation of the loan being granted.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Barely changed on balance. After opening lower in the wake of the sharp sell-off in overnight American markets forward metal moved ahead strongly to close the late Kerb at £865.5 after a day's high of £870. Turnover: 18,300 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	839-.5	—20	840-1	+.5
3 months	867.5-8	—18.5	869.5-70	+.5
Settlem't	839.5	—20	—	
Cathodes				
Cash	814-5	—18.5	815-8	+2.5
3 months	842-3	—17	842-4	+.5
Settlem't	815	—18	—	......
U.S. Prod		......	*98.7-104	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £839, three months £866, 67, 68, 67, 67.5. Cathodes, cash three months £841, 42. Kerb Wirebars, three months £868, 67, 68, 67, 67.5. Afternoon: Wirebars, three months £864, 65, 66, 68, 65.5, 68, 70, 69.5, 70, 69, 69.5, 70, 69.5, 70. Kerb: Wirebars, three months £869, 68, 67, 66.

TIN—Steady in quiet trading with *forward metal* finally quoted at £7,210 on the late Kerb after a day's high of £7,220. Turnover: 745 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7120-30	......	7130-50	+25
3 months	7109-200	+10	7210-5	......
Settlem't	7130	......	—	......
Standard				
Cash	7120-30	......	7130-50	+25
3 months	7190-200	+10	7210-5	......
Settlem't	7130	......	—	......
Straits. E.	‡$2156	—4	—	......
New York	—	......		

Morning: Standard, cash £7,130, 25, three months £7,200. Kerb: Standard, three months £7,200, 7,210. Afternoon: Standard, three months £7,180, 7,210, 20. Kerb: Standard, three months £7,215, 10.

LEAD—Gained ground as fresh buying and speculative buying lifted three months from £388 on the early premarket to close at £394.5 on the late Kerb. Turnover: 9,650 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	372-.5	+4.75	377-8	+8
3 months	388.5-9.5	+3.5	393.755	+8½
S'ment	372.5	+4.5	—	......
U.S. Spot	—	......	*42-44	......

Morning: Cash £373, 72, three months £390, 89. Kerb: Three months £390. Afternoon: Three months £389, 90, 92, 92.5, 94, 93.5, 94. Kerb: Three months £395, 94, 95, 94.5.

ZINC—Steady in quiet trading with three months closing the *late Kerb at £345.5 after a day's high of £347*. Turnover: 8,625 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unoffici'	+ or —
	£	£	£	£
Cash	333-4	—2	333.5-4.5	+.25
3 months	344.5-5.5	—2.5	345-6	+.5
S'ment	334	—2	—	......
Primw'ts	—	......	*37.5-37.75	—

Morning: Three months £346.5, 47, 46, 45, 45.5. Kerb: Three months £345, 43. Afternoon: Three months £343, 43.5, 44, 44.5, 45, 46, 45.5. Kerb: Three months £345.5.

ALUMINIUM—Steady. Forward metal initially rose to £686 on the early premarket but eased thereafter to close the late Kerb at £683. Turnover: 4,325 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unoffici'l	†+ or —
	£	£	£	£
Spot	660.5-1	-.75	662-4	+.5
3 months	681-2	-.25	683-.5	+.75

Morning: Cash £660, three months £683, 82, 81.5, 82, 81, 82, 81.5. Kerb: Three months £682, 81. Afternoon: Cash £661, three months £682, 82.5, 83. Kerb: Three months £683, 82, 83.

NICKEL—Moved narrowly to end the afternoon at £2,845. Turnover: 438 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unoffici'l	+ or —
Spot	2810-5	+32.5	2810-20	+27.5
3 months	2840-5	—	2844-5	+16

Morning: Three months £2,840, 45, 40. Kerb: Three months £2,840. Afternoon: Three months £2,845. Kerb: Three months £2,845.

* Cents per pound. ‡ $M per picul. † On previous unofficial close.

SILVER

Silver was fixed 31.95p an ounce lower for spot delivery in the London bullion market yesterday at 858.15p U.S. equivalents of the fixing levels were: spot $20.501, down 80.9c; three-*month* $21.229, down 80.1c; *six-month* $21.94, down 84.3c; and 12-month $23.367, down $1.016. The metal opened at 871-888p ($20.80-21.20), and closed at the same level.

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffici'l	+ or —
Spot	858.15p	-31.9	870.0p	-21
3 months	892.65p	-31.9	908.5p	-19.5
6 months	922.60p	-37.4	—	......
12months	982.60p	-40.4	—	......

LME—Turnover 177 (160) lots of 10,000 ozs. Morning: Three months 900, 899, 98, 97, 98, 99, 95, 96, 95.5. Kerbs: Three months 895, 90, 87, 90. Afternoon: Cash untraded. Three months 900, 899, 900, 908, 07. Kerbs: Three months 905, 03, 02, 895.

COCOA

COCOA	Yesterd'ys Close	+ or —	Business Done
Sep	—	......	940-932
Dec	969-70	-1.5	973-955
March	1011-13	+1.5	1014-995
May	1032-34	+2.5	1034-17
July	1053-54	+1	1053-39
Sept	1074-75	+4.5	1075-58
Dec	1098-00	+5	1083-1100

Sales: 5,974 (3,267) lots of 10 tonnes. ICO futures. Daily price for Sept. 29: 104.79 (106.61). Indicator prices for Sept. 30: 10-day average 109.88 (110.59); 15-day average 109.79 (109.98).

JUTE

JUTE—Oct. c and f Dundee: BWC £218, BWD £178, BTB £255, BTC £219 BTD £182. Antwerp, Oct: BWC $506, BWD $429, BTB $582, BTC $507, BTD $430. Jute Goods c and f Dundee, Oct.: 40 in. 10 oz. £11.88, 40 in. 7½ oz £9.07. "B" Twills £33.14.

COFFEE

COFFEE	yesterday's Close	+ or —	Business Done
	£ per tonne		
Sept	—	—	980-60
Nov	1057-58	+29	1060-14
January	1077-78	+16	1065-48
March	1088-89	+17	1095-60
May	1095-96	+17.5	1105-071
July	1104-05	+12.5	1112-085
Sept	1105-30	—	—

Sales: 3,241 (3,953) lots of 5 tonnes. ICO Indicator prices for Sept. 29: (U.S. cents per pound). Other Mild Arabicas 125.50 (121.33). Robustas ICA 1976 121.00 (120.50). ICA 1968 121.25 (120.75). Unwashed Arabicas 209.00 (210.00). Comb. daily ICA 1968 156.00 (155.47).

GRAINS

LONDON GRAIN FUTURES — The *market appeared initially reasonably* steady, opening 5p higher, but values eased in very quiet trading to close 25p lower on wheat and 5-15p lower in barley, in very uneventful trading conditions, reports Acli.

WHEAT			BARLEY	
M'nth	Yesterday close	+ or —	Yesterday close	+ or —
Nov	99.10	—0.25	93.60	—0.10
Jan	103.30	—0.25	97.85	—0.15
Mar	107.00	—0.25	101.50	—0.10
May	110.65	—0.25	105.15	—0.05
July	114.30	—0.25	—	—

Business done—Wheat: Nov. 99.40-99.10, Jan. 103.50-103.50, March 107.20-107.00, May 110.85-110.65, July 114.30-114.30. Sales: 35 lots of 100 tonnes. Barley—Nov. 93.75-93.60, Jan. 98.05-97.90, *March 101.65-101.50, May* 105.25-105.15. Sales: 103 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 2, 14 *per cent*: Oct. 96.25, Nov. 98.00, EEC 102.25, transhipment East Coast, sellers. U.S. Hard Winter 13½ per cent Oct. 98.50, Nov. 100.00, Dec. 101.50, Jan. 104.00, Feb. 106.50, transhipment East Coast, sellers. Maize: U.S./French: Sept. 122, Oct. 120.50, transhipment East Coast, sellers. South African Yellow: Oct. Nov. 85.00, seller. Rest unquoted.

HGCA — Locational ex-farm spot prices. Feed Barley: S. East 88.60, S. West 89.50, W. Mid. 88.00, N. West 86.50. Feed wheat: S. East 95.30, S. West 95.80, W. Mid. 94.50, N. West 93.50. *Other milling wheat*: S. East 98.00. S. West 97.00, W. Mid. 97.00.

RUBBER

The London physical market opened easier, with little interest throughout the day, closing on a quiet note. Lewis and Peat reported a fob October price for No. 1 RSS in Kuala Lumpur of 303 (305.5) cents a kilo and SMR 20 at *262 (264)*.

No. 1 R.S.S.	Yest'day Close	Previous Close	Business Done
Nov.	64.60-64.70	65.00-65.00	64.50-65.00
Dec.	65.50-65.90	65.80-66.50	—
Jan-Mar	68.20-68.30	67.80-68.00	68.30-67.20
Apr-Jne	71.50-71.60	71.20-71.40	71.70-70.60
Jly-Sept	74.60-74.70	74.40-74.50	74.80-75.80
Oct-Dec	77.40-77.50	77.10-77.20	77.50
Jan-Mar	80.30-80.40	79.80-80.00	80.30-79.40
Apl-Jne	82.90-83.20	82.40-82.70	—
Jly-Sept	85.40-85.90	85.10-85.50	—

Sales: 451 (309) at 15 tonnes, 13 (118) at 5 tonnes.

Physical closing prices (buyer) were: Spot 63.00p (same): Nov. 64.50p 64.75p); Dec. 65.50p (65.75p).

COTTON

LIVERPOOL—Spot and shipment sales amounted to 324 tonnes bringing the total for the week so far to 364 tonnes. Fair trading developed mostly in *American-type varieties*. Latin American growths moved off steadily, as well as Central and East African.

SOYABEAN MEAL

The London market opened slightly steadier and eased on trade hedge-selling, reports T. G. Roddick. Fresh commercial buying helped prices rally, to close on high of the day.

	Yest'rday Close	+ or —	Business Done
	£ per tonne		
October	122.60-23.0	-0.10	123.00
December	129.40-29.5	+0.70	129.60-128.60
February	132.30-32.4	+0.60	132.60-131.60
April	132.90-33.5	+0.40	—
June	132.50-33.0	+0.05	—
August	132.00-32.4	—0.80	132.00
October	127.60-27.8	—1.55	128.00-127.70

Sales: 146 (261) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE raw sugar): £360.00 (£374.00) a tonne cif for Sept.-Oct.-Nov. shipments. White sugar daily price was £365.00 (£370.00).

The market opened lower, but good support was uncovered, and prices quickly rose again. By mid-day all the losses had been recovered, reports C. *Czarnikow. The rally gained momentum* during the afternoon followig a strong New York opening.

No. 4 Contract	Yest'rdays Close	Previous Close	Business Done
	£ per tonne		
Oct	—	386.00-86.50	384.00-80.00
Jan	392.00-93.50	385.00-87.00	390.00-84.00
Mch	405.25-05.50	396.75-97.00	407.25-387.0
May	405.00-05.25	392.75-93.00	405.00-384.0
Aug	389.00-89.50	377.50-78.05	390.00-70.00
Oct	369.50-70.50	358.00-58.50	370.00-58.50
Jan	340.05-41.00	328.00-30.00	340.05-30.00

Sales: 13,575 (11,756) lots of 50 tonnes.

No. 2 CONTRACT—Close(in order buyer, seller, business, sales): Oct. 377.50, 378.00, 378.00-362.00, 82. Sales: 82 (135).

Tate and Lyle ex-refinery price for granulated basis white sugar was £342.6 (same) a tonne for home trade and £460.50 (£463.50) for export.

International Sugar Agreement (U.S. cents per pound (fob and stowed Caribbean port). Prices for Sept. 29: Daily price 35.99 (37.38); 15-day average *35.82 (35.53)*.

WOOL FUTURES

LONDON NEW ZEALAND CROSS-BREDS—Close (in order buyer, seller, business, sales). New Zealand cents per kilo. Oct. 350, 358, nil, nil; Dec. 363, 369, 367, 2; Jan. 365, 370, 369, 1; March 370, 372, 371-370, 2; May 370, 375, 370, 1; Aug. 375, 380, 378-377, 5; Oct. 378, 384, 379, 1; Dec. 379, 386, 381, 8; Jan. 382, 387, nil, nil; March 382, 387, 383, 1. Sales: 21.

SYDNEY GREASY *WOOL—Close* (in order: buyer, seller, business, sales). Australian cents per pound. Oct. 461.0, 462.0, 463.8-460.0, 96; Dec. 475.0, 477.0, 475.1-472.0, 198; March 495.0, 496.0, 496.0-491.0, 278; May 503.0, 504.0, 503.0-496.0, 85; July 506.0, 507.0, 507.0-*503.0, 56; Oct. 506.0, 507.0, 507.0-503.5*, 118; Dec. 506.5, 508.0, 508.0-508.0, 1. Sales: 878.

★

HIDES—Here are the auction prices 2nd clears for Birmingham; Manchester prices in brackets. Ox: 31/35.5: 25.8 (27.6); *26/30.5*: 30.5 (31.0); *22/25.5*: 38.8 (36.7). Light cows: 25.5/under: 34.5 (34.1). In most cases the market was slightly weaker.

★

GRIMSBY FISH—Supply moderate, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £5.50-£6.60, codlings £2.50-£4.20. Haddock (large) £2.80, medium £2.00-£3.10, small £1.00-£2.00. Plaice (large) £4.80, medium £4.00-£4.40, best small £2.50-£3.30. Skinned Dogfish (large) £10.00. Lemon Soles (large) £9.00, medium *£6.50. Saithe £2.10-£2.60.*

MEAT/VEGETABLES

SMITHFIELD—Pence per pound Beef: Scotch killed sides 60.5 to 64.0; Eire hindquarters 69.0 to 72.0, forequarters 42.0 to 44.0. Veal: Dutch hinds and ends 98.0 to 102.0. Lamb: English small 50.0 to 54.0, medium 48.0 to 52.0, heavy 42.0 to 48.0. Imported frozen: NZPL 54.0 to 56.0, NZPM 49.0 to 50.0, NZYLs 51.0 to 54.0. Pork: English, under 100 lb 42.0 to 49.0, 100-120 lb 38.0 to 48.0, 120-160 lb 36.0 to 44.5. Grouse: Young, best (each) 220.0 to 280.0.

PRICE CHANGES

In tonnes unless otherwise stated.

	Sept. 30 1980	+ or —	Month ago
Metals			
Aluminium	£810/815	......	£810/815
Free Mkt	$1800/1850	—50	$1770/30
Copper			
Cas w'bar	£840.5	+0.5	£832.5
3 mths	£869.75	+0.5	£849.75
Cash Cathode	£816.5	+2.5	£804
3 mths	£843	+0.5	£826
Gold troy oz	$670.5	—11	$640.5
Lead Cash	£377.5	+8	£357.5
3 mths	£393.875	+9.125	£366.5
Nickel	£3,205.00	......	£3,205.00
Freemkt(cif lb)	290/315c	......	290/315c
Platin'mt'ry oz	£202	......	£202
Free mkt	£286.45	—4.45	£272.20
Quicksilvert	$412/418	—4	$405/415
Silver troy oz	858.15p	—31.95	670.10p
3 mths	892.65p	—31.95	697.10p
Tin Cash	£7,140	+25	£7,065
3 mths	£7,212.5	......	£7,10.25
Tungsten22.04lb	$145.76	......	$144.74
Wolfrm 22.04 lbs	$151/154	......	$151/154
Zinc cash	£334	+0.25	£319
3 months	£345.5	+0.5	£329.25
Producers	$760	......	$760
Oils			
Coconut (Phil)	$575w	—25	$615t
Groundnut	‡		‡
Linseed Crude	£393t		£397
Palm Malayan	$475v	—5	$545v
Seeds			
Copra Philip	$365t	—	$415x
Soyabean(U.S.)	$329v	—10	$335
Grains			
Barley Futures	£97.85	—0.15	£94.40
Maize			
French No3AM	£120.50t	+10	122.50
Wheat			
No.1 Red Spg.	‡		‡
No2HardWint	£98.50t	—0.10	£98.50
Eng. Millingt	‡	......	‡
Other commodities			
Cocoa ship't	£1,047	......	£1,029
Future Mar.	£1,012	......	£968.5
CoffeeF't Jan.	£1,077.5	......	£1,071
Cotton A,Index	97.70c	—0.80	102.30c
Rubber (kilo)	63.00p	......	64.50p
Sugar (Raw)	£360	—14	£319
Woolt'ps 64s kl.	293p kilo	......	287p kilo

‡ Unquoted. t Oct. u Sept.-Oct. v Nov. w Oct.-Nov. z Indicator. § Buyer. † Per 76-lb flask. * Nominal. r Nov.-Dec.

MEAT COMMISSION—Average fatstock prices at representative markets on September 30. GB—Cattle 70.40p per kg lw (+1.54). UK—Sheep 108.98p per kg est dcw (—4.12). GB—Pigs 64.80p per kg lw (—1.27).

COVENT GARDEN—Prices in sterling per package except where otherwise stated. Imported produce: Oranges—Outspan: Valencia Lates 48 5.40, 56 5.75, 72 5.85, 88 4.80, 112 4.50, 138 4.35, 150 4.20; Brazilian: 72/138 3.70-4.40; Californian: 56/112 4.00-5.00. Lemons—Italian: 100/150 5.00; Spania: Trays 25/45 2.00-2.80, Boxes 5.50-7.00: Outspan: Trays 45 4.30; Turkish: 4.80-5.20; Chilean: 7.50-8.00; Cyprus: 80/105 6.50. Grapefruit—Dominican: 36/63 5.50-6.00; Honduras: 36/48 6.00-6.50. Apples—French: Golden Delicious approx. 20 lb. 72 *1.60-2.00*, 84 1.50-1.60, 40 lb 125/163 3.20-3.60; Granny Smith 20 lb 72 2.50, 84 1.90; Spanish: Granny Smith 40 lb 4.00-4.50; Dutch: Cox's Orange Pippins, jumble pack, per pound 0.13. Pears—French: Per 28 lb Williams 2.80-3.20; Italian: Per *pound Williams 0.12-0.18; Dutch: Beurre* Hardy per pound 0.09. Peaches—Italian: 1½-trays Hales 2.20-3.00, Others 2.00-2.60. Nectarines—Italian: 4.50-6.00. Plums—Italian: Boxes, Stanleys/Giant Prunes per pound 0.12. Grapes—Italian: Regina per pack 1.80-2.00, *Wine per pound* 0.14, *Italia* 2.50-3.30; Spanish: Napoleon 3.00, Almeria 2.00-2.20; French: Alphonse 2.60. Melons—Spanish: Yellow 10 kg 2.40-3.00, Green 7/11s 2.60-2.80. Bananas—Jamaican: 28 lb, per pound 0.19. Tomatoes—Jersey: 2.20-2.50; Dutch: 2.00; Guernsey: 2.60-3.00; Spanish: 2.20-2.40. Onions—Spanish: 2.20-2.80: Dutch: 2.30, Picklers 3.00. Cabbages—Dutch: White 2.80. Pomegranates—Spanish: 30/80 2.50-3.70. English Produce: Potatoes—Per bag, new 1.20-1.80. Mushrooms—Per pound 0.40-0.70. Apples—Per pound Howgate 0.08, Derby 0.05-0.06, *Laxton 0.10, Tydeman's Early Worcester* 0.05-0.06, Bramleys 0.08-0.10, Worcester Pearmain 0.05-0.08, Cox's Orange Pippins 0.10-0.16. Pears—Per pound Conference 0.05-0.09. Plums—Per 12 lb Damsons 1.80-2.00, Marjorie Seedlings 1.60-2.00, Laxton Cropper 1.00-1.20. Strawberries—Per ½ lb 0.30. Cabbages—Per bag 1.20, White cabbages 2.60. Cauliflowers—Per 12 1.20-1.50. Beetroots—Per bag 1.00. *Cucumbers*—Trays 10/20 2.20-2.80. Tomatoes—Per 12 lb 2.40-2.80. Lettuce—Per 12 round 0.60-1.20, Cos 1.00, Webbs 1.20. *Sprouts—Per pound 0.07. Corn* Cobs—Each 0.06-0.08. Carrots—New crop 28 lb 0.70-1.00. Onions—Per bag 2.00-2.30, Picklers 2.50. Celery—Per pack 20/30 2.20, naked 12/16 1.00. Capsicums—Per pound 0.30. Runner Beans—Per pound 0.08-0.14. Swedes—Per 28 lb Devon 0.70-0.80. Courgettes—Per pound 0.10-0.12. Cob Nuts—Per pound 0.35.

AMERICAN MARKETS

NEW YORK, Sept. 30.

GOLD finished stronger in view of continued uncertainties in the Middle East while silver declined to closer reflect the spot price. Copper firmed in correcting an oversold position. The livestock complex edged higher as light marketings provided support in *the market. Sugar finished limit up on* reports from Brazil that more sugar production will be diverted into domestic markets, and that frosts affected Soviet beet areas. Cocoa was mixed in very light trading. Cotton withstood some heavy profit-taking and turned losses into minor gains. The grains and soyabeans finished the day with a follow-through rally for good gains. Coffee sold off sharply on profit-taking and trade selling, reported Heinold.

Coffee—"C" Dec. 126.66 (128.76), March 132.04 (133.17), May 134.65, July *135.80, Sept. 136.75, Dec. 138.50. Sales:* 2,430.

Copper—Oct. 91.45 (89.50), Nov. 92.45 (90.50), Dec. 93.45, Jan. 94.25, March 95.75, May 97.30, July 98.85, Sept. 100.40, Dec. 102.90, Jan. 103.70, March 105.45, May 107.20, July 108.95. Sales: 7,500.

*Platinum—Oct. 685.8 (679.3), Nov. —— (——), Jan. 713.8, April 742.8, May ——, July 772.8, Oct. 801.8.

Potatoes (round whites)—Nov. 93.0 (92.0), March 132.6 (131.0), April 153.8. Sales: 2,536.

Silver—Oct. 2072.0 (2035.0), Nov. *2101.0 (2130.0)*. *Dec.* 2125.0, Jan. 2154.0, March 2213.0, May 2272.0, July 2331.0, Sept. 2390.0, Dec. 2479.0, Jan. 2509.0, March 2569.0, May 2629.0, July 2689.0. Sales: 5,000. Hardy and Harman bullion spot: 2046.0 (2110.0).

Sugar—No. 11: Oct. 38.51 (38.24), Jan. 39.15 (37.65), March 41.16, May 40.73, July 39.76, Sept. *38.60*, Oct. 37.61, Jan. 35.19. Sales: 12,620.

Tin—787.0-805.0 (789.0-805.0).

CHICAGO, Sept. 30.

Chicago Imm Gold—Oct. 670.0 (668.0), Dec. 687.2 (676.8), Jan. 696.0, March 715.2, April 724.5, June 741.0, July —, Sept. 769.0.

Lard—Chicago loose 22.00 (22.50). New York prime steam unavailable.

Live Cattle—Oct. 67.32 (66.97), Dec. 68.92 (68.17), Jan. 70.12, Feb. 70.87, April 72.70, June 73.55, Aug. 73.30, Oct. ——, Dec. 73.50.

Live Hogs—Oct. 47.77 *(47.55)*, Dec. 50.75 (50.62), Feb. 54.05, April 52.75, June 56.12, July 57.27, Aug. 56.00, Oct. 54.70, Dec. 56.70.

Pork Bellies—Feb. 66.92 (66.80), March 66.92 (66.75), May 68.47, July 68.90, Aug. 67.60.

¶Silver—Oct. 2070.0 (2050.0), Nov. — (—), Dec. 2126.0, Feb. 2192.5, April 2252.5, June 2335.0, Aug. 2372.5, Oct. 2432.5, Dec. 2492.5, Feb. 2552.5, April 2612.5, June 2672.5, Aug. 2732.5, Oct. 2792.5, Nov. —, April —.

‡Soyabeans—Nov. 812-810 (798½), Jan. 835-834 (825½), March 856-858½, *May 872½-874, July 878½-879½*, Aug. 874, Sept. 822, Nov. 790-791.

‖Soyabean Meal—Oct. 234.0-234.5 (232.3), Dec. 242.0-241.2 (240.5), Jan. 244.0-244.5, March 250.3-250.0, May 251.5-252.0, July 252.5-253.0, Aug. 248.5-249.5, Sept. 239.0-240.0, Oct. 227.0, Dec. 222.0.

Soyabean Oil—Oct. 25.12-25.10 (25.33), Dec. 25.80-25.70 (25.93), Jan. 26.10-25.05, March 26.80, May 27.20-27.22, July 27.60-27.70, Aug. 27.50-27.60, Sept. 27.55, Oct. 27.50-27.55, Dec. —.

WINNIPEG Sept. 30.

§Barley—Oct. 137.40 (136.30), Dec. 139.90 (138.90), March 140.90, May 141.60, July 140.60.

§Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 254.34 (252.64).

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq feet. ‡ Cents per dozen. †† $ per metric ton.

EUROPEAN MARKETS

PARIS, September 30.

Cocoa (FFr per 100 kilos)—Dec. 950-959, March 980-990, May 1,000-1,040, *July 1,010, Sept. 1,075-1,095. Sales* at call: Nil.

Sugar (FFr per 100 kilos)—Nov. 3820, Dec. 3809-3815, March 3995-4000, May 3990-4005, July 3880-3970, Aug. 3930-3995, Oct. 3790-3810, Nov. unquoted. Sales at call: 34.

ROTTERDAM, September 30.

Wheat—U.S. No. 2 Dark Hard Winter 13.5 per cent. Oct. 214, Nov. 217, Dec. 219, Jan. 227.50, Feb. 233, March 235. U.S. No. 2 Red Winter: Oct. 208, Nov. 211. N.S. No. 2 Northern Spring 14 per cent: Oct. 209.50, Nov. 213, Dec. 220, Jan. 240, Feb. 243, March 246, April/May 228.

Maize—U.S. No. 3 Corn Yellow, afloat 157.50, Sept. 157, Oct. 157, Nov. 160.50, Dec. 164, Jan./March 172, April/*June 174.50, July/Sept. 174, Oct./Dec.* 169, sellers.

Soyabeans—U.S. Two Yellow Gulfports: Oct. 315 buyer/317.25 seller, Nov. 318 buyer/ 319.70 seller, Dec. 329.75, Jan. 338.25, Feb. 331.75, March 344.50, April 351.25, May 352, Oct. 322.75, Nov. 321.50, Dec. 325.50, sellers. Argentine afloat 311, Oct. 313.50, sellers.

Soyameal—44 per cent protein U.S.: afloat 286, Sept. 288 sellers/traded, Oct. 288, Nov. 292, Dec. 298.50, Nov./March 300. Brazil pellets: Oct. 294 sellers/traded, Nov. 308, Nov./March 312 sellers.

INDICES

FINANCIAL TIMES

Sept.29	Sept.26	Mnth ago	Year ago
268.56	272.78	275.35	301.56

(Base: July 1, 1952=100)

DOW JONES

Dow Jones	Sept. 29	Sept. 26	Month ago	Year ago
Spot	457.44	458.35	443.10	420.36
F'tur s	480.80	476.97	465.40	427.51

(Average 1924-25-26=100)

MOODY'S

Sept.29	Sept.26	M'nth ago	Year ago
1299.3	1308.9	1236.1	1194.8

(December 31, 1931=100)

REUTERS

Sept.30	Sept. 29	M'nth ago	Year ago
1735.1	1746.1	1733.2	1675.2

Base: September 18, 1931=100)

Revived hope of early MLR cut encourages broad rally
Gilts up nearly a point and equity index rises 5.4

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Sept. 15	Sept. 25	Sept. 26	Oct. 6
Sept. 29	Oct. 9	Oct. 10	Oct. 20
Oct. 13	Oct. 23	Oct. 24	Nov. 3

* "New time" dealings may take place from 9 am two business days earlier.

Talk spread through London stock markets yesterday that next Tuesday's banking statistics for September would show a marked decrease in clearing bank lending. As a result optimism revived about a cut in Minimum Lending Rate shortly and, with the aid of lower money projections for coming months, the two main investment sectors both unexpectedly strengthened after the recent uneasy spell caused by the Middle East conflict.

The upward pressure on U.S. interest rates, which prompted an early reaction of around ¼ in long-dated Gilts, was forgotten and, with Continental banking sources showing marked early determination for the shorts, prices made a swift response in continued thin trading conditions. At the close, the longs were nearly a net point higher and the shorts were up around ½ with the firmness continuing after-hours.

Reflecting the sharp overnight setback on Wall Street, leading equities were marked down at the outset. But the recovery movement in Gilt-edged encouraged speculation about interest rates, with some optimists talking of a cut in MLR this Thursday, and leading shares eventually followed. Gathering pace throughout the afternoon, the upturn left most leading industrials at the session's best. The FT 30-share index ended a net 5.4 higher at 481.0; this represented a turn-round of 8 points for at the first calculation of the day the index had been 2.6 lower. In the recently depressed Engineering sector, Tubes were particularly strong on good investment buying.

Hambros firm

Another lively and strong performance by Oils, aroused by fears that the Iraq/Iran confrontation may widen, provided one of the day's main areas of interest. Business in the sector, particularly among exploration issues, was also partly encouraged by the announcement of ten more petroleum exploration licences for areas in Scotland and England.

Traded options attracted a total of 1,109 contracts, slightly above the previous day's 1,099. Once again, Lonrho were well to the fore and recorded 489 deals, while BP were active with 230 transactions.

John Baker (Insulation), soon to be known as Intervision Video (Holdings), attracted fresh support with the ordinary and new preferred ordinary adding 4 apiece at the common price of 31p; the new nil-paid shares closed 2 dearer at 15p premium, after 16p premium.

Quiet conditions prevailed in the banking sector and features were few. Renewed investment demand helped Hambros rise 10 to 576p in Merchant banks, but Arbuthnot Latham slipped 4 to 226p and Mercury Securities 7 to 210p. Still reflecting a Press suggestion that Lloyds may soon make a bid for the group, Royal Bank of Scotland hardened a penny more for a two-day rise of 5 to 99p. With the exception of Midland, a couple of pence off at 348p, the major clearers remained at their overnight levels.

London United Investments rose 8 to 165p in otherwise drab Insurances.

Tomatin Distillers fell 9 to 122p in reaction to the passed interim dividend and first-half deficit. Other Wines and Spirits were generally more resilient with the notable exception of Distillers, 4 down at 219p. Leading Brewers drifted lower in a subdued trade although scattered support at the lower levels left most issues above the worst. Bass touched 218p before settling for a net fall of 2 at 221p.

Currys good again

News items were mainly responsible for the major changes in Buildings. Cement Roadstone added 2½ to 86p on expansion plans, while Crouch Group put on 5 to 122p following the sale of two New York office properties Among companies reporting trading results, John Laing dropped to 42p before closing a net 3 off at 47p after the sharply lower interim profits and chairman's gloomy statement, while Arncliffe shed a penny to 30p on its disappointing half-timer. Ready Mixed Concrete held at 181p, announcing preliminary profits at the higher end of market estimates, but the interim profits standstill clipped a couple of pence from Royco, at 41p. Burnett and Hallamshire were quoted at 775p, up 8, ex the rights issue with the new nil-paid shares at 120p premium.

Business in ICI remained slow but the close was 2 firmer at 348p, after 342p, while Fisons, a dull market of late on poor interim results, rallied a few pence to 196p Brent Chemical hardened 3 to 140p in response to satisfactory half-yearly profits and the Board's confident statement, but Allied Colloids shed that much to 125p on sporadic selling. Anchor Chemical added a couple of pence to 84p awaiting today's interim figures.

Leading Stores again passed a quiet session though the firmer House undertone left most stocks showing small gains. British Home Stores added 4 at 139p, while rises of 3 were commo nto Marks and Spencer, 103p, and House of Fraser, 136p. In contrast, Raybeck eased a couple of pence to 70p. Currys, still drawing strength from Monday's pleasing interim statement, added 5 more for a two-day gain of 14 at 228p, while B. Paradise, interim figures expected today, rose 4 more to 41p. Increased hopes of a "shell" operation following the 20p per share offer from Hawley Leisure prompted further speculative support of Kean and Scott, 8 better at 95p, but recent high-flyer Cornell Dresses dipped 4 to 74p. Support was lacking for Albion, 3 down at 17p, and Fine Art Developments, at 78p, lost most of the previous day's Press-inspired gain of 2½p.

A few pence easier at the outset on technical considerations, leading Electricals later rallied as investment and speculative buyers appeared to close at, or near, the day's best. GEC stood out with a rise of 12 to 522p, after 508p, while Thorn EMI added 6 at 340p. Plessey ended 2 dearer at 228p, after 222p, and Racal a similar amount higher at 307p.

Depressed markets since GKN's abysmal interim results nearly two weeks ago, leading Engineers staged an impressive rally yesterday. Tubes led the recovery, and, in active trading rose steadily to close 18 higher at the day's best of 240p. Having fallen 47 since the statement on September 18, GKN rallied 6 to 181p, while John Brown gained 4 to 66½p and Hawker hardened 2 to 222p. Secondary issues, however, failed to follow the leaders' example and generally drifted lower on lack of support. ML, 345p, and Yarrow, 215p, gave up 5 apiece, while Downiebrae shed 3 to 30p and Duport declined 2½ to 21p. Further consideration of the proposed £22m acquisition of the New York Twist Drill Corporation clipped a penny more from Laird Group, at 107p. Evered, in which a large shareholding recently changed hands, were a firm exception at 24p, up 2.

Chambers and Fargus were outstanding again in Foods, rising 6 for a two-day gain of 14 to 42p, after 44p, on speculative buying still motivated by Mr. Harvey Michael Ross's acquisition of a 5.3 per cent stake in the company. Also on speculative support, Associated Fisheries added 2 at 75p. Elsewhere, Somportex picked up 10 to 260p in a thin market, but Sidney C. Banks remained at 87p despite the increased preliminary profits and the chairman's confident remarks.

Bestobell lower

Easier at the outset in sympathy with the overnight fall on Wall Street, the miscellaneous industrial leaders soon picked up as buyers appeared at the lower levels Dull late last Friday following the surprise proposal to sell, or close, the jointly owned Rank Toshiba subsidiary and the Rank Radio International subsidiary. Rank Organisation rallied 6 to 160p. Metal Box rose a similar amount to 290p and Turner and Newall closed 4½ to the good at 100p, after 95p. Elsewhere, Bestobell fell 10 to 302p on fading bid hopes and European Ferries gave up 5 to 162p on news that Seaspeed, British Rail's hovercraft operation has stepped up the Cross Channel ferry price war by cutting some of its winter service prices by nearly two-thirds. Reflecting the sharp contraction in first-half earnings, Whatman Reeve Angel were marked down to 70p before closing a net 5 lower on balance at 75p and Jardine Matheson lost 11 to 205p, after 203p, following details of the loan stock capital proposals which accompanied the interim results. The liquidation of speculative positions prompted a reaction of 5 to 83p in St Georges Laundry, while Gripperrods lost a similar amount to 138p. Waterford Glass softened a penny to 26p following the reduced first-half profits but Parker Knoll A advanced 9 further to 102p after comment on the good annual results.

Oils active

Oils enjoyed an active and firm day's trading on fears of an escalation in the Iran/Iraq conflict, British Petroleum closing 10 firmer at 390p. Outside the leaders, Attock put on 24 to 264p on news that four onshore licences had been awarded to the company, while KCA International rose 10 to 162p, the latter on vague bid rumours. Talk of a broker's circular stimulated fresh support for Carless Capel, up 11 at 177p, and Candecca, 7 dearer at 233p. Sovereign advanced 25 to 360p and Marinex 15 to 175p, while Charterhall added 6 to 81p, the last-named following the annual results.

Among Overseas Traders, Boustead firmed a few pence to 83p in response to the higher interim profits and dividend. Warren Plantations attracted interest and added 5 at 191p.

Aberdeen Investments stood out in Investment Trusts jumping 18 to 104p following the 100p per share reverse takeover offer from Aitken (English). Other Trusts trended easier. Atlantic Assets shed 4 more to 220p, while Alliance Trust fell a like amount to 239p. In Financials, interest was shown for Majedie, 82p, and Corinthian, 30p, up 4 and 3 respectively, but recently firm Rosehaugh declined 8 to 175p following property acquisition news.

Textiles were featured by S. Lyles which spurted 6 to 43p, after 45p, following the better-than-expected preliminary statement. Highams firmed a penny to 38p on news that Courtaulds had disposed of its 25 per cent holding in the company to various institutions. Harold Ingram added 2 more at 30p, but Lister gave up a couple of pence at a 1980 low of 36p; the latter's annual results are due later this month.

Late rally in golds

South African Golds lost ground for the sixth successive trading day as the bullion price declined $11 more to $670.5 an ounce.

The share market opened on a steady note, but fell away as overnight American selling followed through into London. A minor rally developed around mid-day but fresh selling from American operators was reported during the early afternoon. However, news of a worsening in the Middle East conflict prompted a sudden reversal in market sentiment and prices surged ahead to close well above the day's lows. Consequently, the Gold Mines index registered only a 1.0 decline at 496.9.

Heavyweights were well supported in the late trade with Western Holdings prominent and finally £1¾ higher at £45 and West Driefontein a half-point up at £46½.

On the downside Southvaal gave up a half-point to £18, Blyvoor dipped ¼ to £10½ and Welkom eased ⅛ to £10⅞. South African Financials registered widespread losses with "Amgold" £1¾ cheaper at £51¾ and Johnnies a half-point lower at £36.

London Financials were again featured by Goldfields which initially moved up to 657p before weakeneing to close a net 2 easier at 645p; the annual report is published today.

Further losses in base-meal prices upset RTZ, which gave up 8 more to 452p.

A generally lower Australian market provided a feature in MI MHoldings which surged 10 more to 260p, after a 1980 high of 264p, reflecting revived American support on continuing speculation that Asarco may sell its near 50 per cent stake in the company. The increased profits lifted Bond Corporation 10 to a 1980 hihg of 148p, while "cheap" buying left Western Mining 6 better at 283p.

FINANCIAL TIMES STOCK INDICES

	Sept. 30	Sept. 29	Sept. 26	Sept. 25	Sept. 24	Sept. 23	A year ago
Government Secs	70.18	69.74	70.02	70.24	70.21	70.19	72.19
Fixed Interest	71.34	71.35	71.47	71.51	71.70	71.70	72.75
Industrial Ord.	481.0	475.6†	481.0	484.4	483.5	485.1	469.1
Gold Mines	496.9	497.9	499.8	500.0	517.0	542.6	260.0
Ord. Div. Yield	7.65	7.72	7.63	7.58	7.54	7.51	6.82
Earnings, Yld. % (full)	17.21	17.41	17.22	17.10	17.13	17.07	17.68
P/E Ratio (net) (*)	7.11	7.03	7.11	7.16	7.15	7.17	6.90
Total Bargains	20,326	19,202	22,215	20,127	20,806	22,444	17,652
Equity turnover £m.	—	105.73	143.27	127.63	132.49	150.92	74.86
Equity bargains total	—	15,684	16,866	16,243	16,346	17,032	12,616

10 am 473.0. 11 am 474.1. Noon 475.1. 1 pm 476.2.
2 pm 476.5. 3 pm 477.4.
Latest Index 01-246 8026.
*Nil=6.82
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.
† Corrected.

HIGHS AND LOWS

	1980 High	1980 Low	Since Compilat'n High	Since Compilat'n Low
Govt Secs.	73.84 (21/7)	63.85 (7/8)	127.4 (9/1/56)	49.18 (3/1/75)
Fixed Int.	74.08 (24/7)	64.70 (10/3)	150.4 (28/11/47)	50.53 (3/1/75)
Ind.Ord.	508.9 (12/9)	406.9 (3/1)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines.	558.9 (22/9)	265.5 (18/3)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Sept. 30	Sept. 29
—Daily		
Gilt Edged	90.2	76.0†
Industrials	104.7	104.8
Speculative	111.4	103.4
Totals	79.5	75.6
5-day Avrge.		
Gilt Edged	88.4	84.5
Industrials	97.5	96.6
Speculative	115.9	121.7
Totals	75.6	75.2

NEW HIGHS AND LOWS FOR 1980

The following shares quoted in the Share Information Service yesterday attained new Highs and Lows for 1980.

NEW HIGHS (28)

CANADIANS (1)
Hawker Siddeley Canada
BANKS (2)
Hambros, Royal Bank of Scotland
BUIDINGS (2)
Bryant Hlds., Crouch Group
STORES (3)
Currys, Wearwell, Paradise (B.)
ELECTRICALS (1)
Wholesale Fittings
ENGINEERING (2)
Evered, Utd. Engineering
FOODS (2)
Chambers & Fargus, Somportex
INDUSTRIALS (2)
Baker (J.), Standard Ind.
PROPERTY (1)
Carrington Inv.
TEXTILES (1)
Levex
TRUSTS (2)
Aberdeen Invs., Drayton Far Eastern
OIL & GAS (6)
Candecca, KCA, Carless Capel, New Court Nat., Hunting Petroleum, Sovereign
MINES (3)
Rand London, M.I.M., Bond Corp.

NEW LOWS (53)

AMERICANS (1)
Morgan (J. P.)
BANKS (1)
Commerzbank
BEERS (1)
Tomatin
BUILDINGS (3)
Arncliffe, Hoveringham Res. Vtg., Heywood Williams
CHEMICALS (2)
BASF AG, Bayer AG
STORES (2)
Church, Stead & Simpson A
ELECTRICALS (3)
Arlen Elec., Philips' Lamps, Mitel
ENGINEERING (11)
Aurora, Jones & Shipman, Birmingham Pallet, Ley's Foundries, British Aluminium, Sykes (H.), Butterfield Harvey, Tecalemit, Downiebrae, Triplex Foundries, Duport
FOODS (1)
Robertson Foods
INDUSTRIALS (17)
Alpine Hlds., Jentique, Avon Rubber, Letraset, Bearson Clark, Magnolia, Bridon, Marley, British Vita, Metal Closures, Brook St. Bureau, Rock Darham, Centreway, Talbex, Chamberlain Phipps, Watson (R. K.), Duple Int.
LEISURE (2)
Barr & W.A.T. A, Tom Hill
MOTORS (2)
Lucas Inds., Woodhead (J.)
NEWSPAPERS (1)
Liverpool Daily Post
SHIPPING (1)
Reardon Smith
SHOES (2)
Garnar Scotblair, K Shoes
TEXTILES (2)
Foster (J.), Lister
OVERSEAS TRADERS (1)
African Lakes

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	80	—	15
Corpns. Dom. and Foreign Bonds	9	7	49
Industrials	133	324	935
Financial & Prop.	38	230	227
Oils	28	9	19
Plantations	4	3	17
Mines	23	65	71
Others	16	79	82
Totals	331	717	1,415

MONTHLY AVERAGES OF STOCK INDICES

—	September	August	July	June
Financial Times				
Government Securities	70.09	69.19	71.16	68.87
Fixed Interest	71.32	70.66	72.53	69.62
Industrial Ordinary	491.7	484.9	488.5	451.2
Gold Mines	470.0	373.7	366.0	353.8
Total Bargains	20,554	18,165	24,530	21,454
F.T.— Actuaries				
Industrial Group	257.69	252.42†	250.42	231.24
500 Share	301.75	295.14†	294.14	276.76
Financial Group	247.62	231.91	229.54	210.11
All-Share (750)	292.27	282.58†	280.90	261.24
Red. Debs.& Loans	55.43	54.30	54.19	52.16

	High	Low
Industrial Ordinary	508.9 (12th)	475.6 (29th)
All-Share	298.49 (12th)	281.60 (1st)

† Corrected

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1980 high	1980 low
RTZ 9½pcCnv.Uns. Ln. 1995-2000	Nil/pd.	9	£7½pm	− 2½	£15pm	£7½pm
Burmah Oil	£1	8	190	+ 3	249	162
GEC	25p	8	522	+12	540	326
Plessey	50p	8	228	+ 2	265	108
BP	25p	7	390	+10	412	320
Carless Capel	10p	7	177	+11	177	68
GKN	£1	7	181	+ 6	279	175
ICI	£1	7	348	+ 2	402	346
Racal Electronics	25p	7	307	+ 2	341	175
Shell Transport	25p	7	414	+ 2	432	314
BTR 'New'	Nil/pd.	6	44pm	—	44pm	42pm
European Ferries	25p	6	162	− 5	192	98
Marks & Spencer	25p	6	103	+ 3	111	77
Cons. Gold Fields	25p	5	645	− 2	657	385
KCA Intl.	25p	5	162	+10	162	41

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Sept. 22	Oct. 3	Dec. 18	Dec. 29
Oct. 6	Oct. 17	Jan. 8	Jan. 19
Oct. 20	Oct. 31	Jan. 22	Feb. 2

For rate indications see end of Share Information Service

Options attracted a livelier business than of late and calls were arranged in John Baker (Insulation), Lonrho, Poseidon, Lee Cooper, Bond Street Fabrics, Singlo, Maddock, Double Eagle, Norvic, FNFC, Carless Capel, Marinex, Lofs, Dunlop, Hambro Life, Royal Bank of Scotland, William Press, Tebbitt, Reynolds, Burmah, Elson and Robbins, Berkeley Exploration, Turner and Newall, Crouch Group, Bernard Paradise, Candeeca and Dundonian. Puts were done in Barratt Developments and Racal, while doubles were transacted in Dunlop, Tebbitt, Marshall's Universal, Town and City Properties, Shell and William Press.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., Sept. 30, 1980 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon., Sept. 29 Index No.	Fri., Sept. 26 Index No.	Thur., Sept. 25 Index No.	Wed., Sept. 24 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (171)	279.56	+0.5	15.78	5.92	7.70	278.22	281.17	282.72	283.79	240.00
2	Building Materials (28)	247.71	−0.7	18.87	6.90	6.29	249.37	253.85	252.69	253.22	236.03
3	Contracting, Construction (27)	411.44	−0.9	22.59	6.03	5.24	415.07	420.24	422.09	425.57	380.38
4	Electricals (17)	863.70	+1.8	11.30	3.08	10.88	848.83	857.35	867.63	871.13	628.95
5	Engineering Contractors (11)	336.48	−0.3	18.40	7.74	6.93	337.42	337.60	338.72	339.68	322.82
6	Mechanical Engineering (72)	175.33	+0.1	16.55	7.68	7.37	175.08	176.24	177.03	176.47	160.54
8	Metals and Metal Forming (16)	155.84	—	18.74	10.41	6.64	155.78	157.19	157.89	160.84	157.18
11	CONSUMER GOODS (DURABLE) (48)	235.69	+0.4	15.62	5.33	8.76	234.78	237.66	238.51	238.74	238.10
12	Lt. Electronics, Radio, TV (14)	363.11	+0.6	13.12	3.81	11.57	361.12	365.33	366.90	368.63	343.56
13	Household Goods (13)	87.18	−0.6	25.95	11.27	4.87	87.70	88.12	88.07	87.63	141.66
14	Motors and Distributors (21)	96.52	—	22.64	9.69	5.09	96.52	98.05	98.24	97.12	110.03
21	CONSUMER GOODS (NON DURABLES) (171)	237.96	—	17.31	6.80	6.98	237.94	239.98	240.28	239.92	240.16
22	Breweries (14)	282.29	−0.5	16.11	6.53	7.25	283.62	286.95	287.77	288.97	290.22
23	Wines and Spirits (5)	317.89	−1.6	19.25	6.41	6.14	322.92	323.60	323.60	318.92	330.10
24	Entertainment, Catering (17)	338.27	−0.2	17.13	6.61	7.19	338.86	341.04	341.34	342.30	317.69
25	Food Manufacturers (22)	217.91	−0.4	18.41	6.96	6.40	218.75	219.75	219.97	219.86	214.93
26	Food Retailing (13)	387.84	−0.2	12.09	4.01	9.82	388.59	391.99	392.93	392.58	314.26
32	Newspapers, Publishing (12)	441.86	−0.1	21.26	7.23	6.29	442.32	445.87	446.73	446.03	427.33
33	Packaging and Paper (15)	126.89	+0.4	27.85	10.27	4.18	126.38	128.39	129.54	129.69	132.19
34	Stores (44)	235.19	+0.7	13.09	5.35	9.97	233.58	235.61	236.82	236.26	240.51
35	Textiles (21)	119.01	+0.1	26.32	12.95	4.63	118.87	119.85	119.50	118.71	153.26
36	Tobaccos (3)	220.38	—	26.04	10.56	4.37	220.38	222.87	219.90	218.92	241.67
37	Toys and Games (5)	27.12	+2.6	8.29	14.06	27.88	26.43	24.85	24.42	24.38	67.98
41	OTHER GROUPS (98)	219.35	—	15.98	7.13	7.49	219.36	222.03	223.36	222.16	208.97
42	Chemicals (16)	301.93	+0.2	17.55	8.04	6.66	301.44	306.37	308.44	307.50	293.69
43	Pharmaceutical Products (7)	233.17	—	10.76	5.94	11.49	233.13	236.54	238.70	235.68	233.49
44	Office Equipment (6)	98.96	+2.0	20.64	8.38	5.65	97.01	98.25	100.29	95.26	122.46
45	Shipping (10)	555.16	−1.4	13.74	6.57	8.89	563.21	568.08	571.15	574.76	454.11
46	Miscellaneous (59)	275.47	−0.2	16.92	6.78	7.19	275.99	278.06	278.48	278.71	246.95
49	INDUSTRIAL GROUP (488)	251.30	+0.2	16.47	6.53	7.39	250.89	253.41	254.38	254.19	239.87
51	Oils (12)	850.55	+1.6	28.26	6.18	3.94	837.01	851.09	858.05	853.54	708.29
59	500 SHARE INDEX	298.73	+0.5	19.09	6.45	6.19	297.30	300.73	302.16	301.64	277.39
61	FINANCIAL GROUP (118)	247.60	−0.1	—	5.29	—	247.74	249.54	249.92	248.90	196.93
62	Banks (6)	249.79	—	40.91	6.74	2.92	249.86	251.00	250.41	249.43	226.41
63	Discount Houses (10)	290.42	−0.3	—	6.11	—	291.30	293.79	301.25	301.62	255.56
64	Hire Purchase (5)	221.70	−0.1	11.19	4.55	12.06	221.98	222.75	221.18	219.46	178.76
65	Insurance (Life) (10)	257.35	−0.2	—	5.12	—	257.79	260.54	261.56	260.19	164.90
66	Insurance (Composite) (9)	175.76	−0.2	—	6.46	—	176.18	177.65	177.27	176.24	131.79
67	Insurance Brokers (9)	334.66	+0.2	13.84	6.92	9.89	334.08	337.03	337.23	338.28	288.99
68	Merchant Banks (13)	143.08	−0.8	—	5.36	—	144.21	145.40	147.00	147.09	100.81
69	Property (45)	454.08	+0.3	3.13	2.63	44.57	452.93	456.73	459.37	457.83	366.96
70	Miscellaneous (11)	152.30	−0.1	16.87	6.08	7.54	152.49	152.65	152.56	151.43	124.80
71	Investment Trusts (109)	269.16	−0.9	—	5.40	—	271.69	275.56	276.82	277.94	217.84
81	Mining Finance (3)	265.58	−1.0	13.30	4.93	8.97	268.13	269.79	272.15	275.72	142.31
91	Overseas Traders (20)	456.62	−0.2	11.01	6.47	10.94	457.57	457.22	456.86	452.74	348.49
99	ALL-SHARE INDEX (750)	290.26	+0.2	—	6.12	—	289.58	292.59	293.79	293.32	255.08

FIXED INTEREST PRICE INDICES

	British Government	Tues., Sept. 30	Day's change %	Mon., Sept. 29	xd adj. today	xd adj. 1980 to date
1	Under 5 years	106.90	+0.19	106.69	—	7.62
2	5-15 years	112.29	+0.71	111.50	—	9.59
3	Over 15 years	118.04	+0.77	117.14	—	10.19
4	Irredeemables	131.36	+0.74	130.40	—	9.02
5	All stocks	112.16	+0.57	111.52	—	9.00

FIXED INTEREST YIELDS
British Govt. Av. Gross Red.

			Tues., Sept. 30	Mon., Sept. 29	Year ago (approx.)
1	Low Coupons	5 years	11.71	11.80	10.22
2		15 years	11.71	11.79	10.75
3		25 years	11.71	11.79	11.28
4	Medium Coupons	5 years	13.09	13.22	12.26
5		15 years	13.30	13.41	12.35
6		25 years	13.06	13.17	12.44
7	High Coupons	5 years	13.26	13.36	12.65
8		15 years	13.54	13.65	12.82
9		25 years	13.30	13.40	12.70
10	Irredeemables		11.30	11.38	11.11

		Tues., Sept. 30 Index No.	Tues., Sept. 30 Yield %	Mon. Sept. 29	Friday Sept. 26	Thurs. Sept. 25	Wed. Sept. 24	Tues. Sept. 23	Mon. Sept. 22	Friday Sept. 19	Year ago (approx)
15	20-yr. Red. Deb & Loans (15)	53.80	†15.76	53.93	53.96	53.97	53.95	54.02	54.02	54.04	57.62
16	Investment Trust Prefs. (15)	51.78	13.07	51.78	51.78	51.78	51.78	51.79	51.79	51.79	50.75
17	Coml. and Indl. Prefs. (20)	68.12	13.19	68.12	68.12	68.15	68.18	68.24	68.24	68.24	68.34

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 25p. ● Corrected indices for September 24.

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Gartmore Fund Managers (C.I.) Ltd. (a)(h)
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Lloyds Bank International, Geneva
P.O. Box 438, 1211 Geneve 11 (Switzerland)
Lloyds Int. Growth [illegible]
Lloyds Int. Income [illegible]
M & G Group
Three Quays, Tower Hill EC3R 6BQ.

J. Henry Schroder Wagg & Co. Ltd.
120, Cheapside, EC2. 01-588 4000

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Allied Hambro Ltd. (a)(g)

Anderson Unit Trust Managers Ltd.

Ansbacher Unit Mgmt. Co. Ltd.

Arbuthnot Securities Ltd. (a)(c)

Archway Unit Tst. Mgs. Ltd. (a)(c)

Barclays Unicorn Ltd. (a)(c)(g)

Baring Brothers & Co. Ltd. (a)(x)

Bishopsgate Progressive Mgmt. Co.

Bridge Fund Managers (a)(c)

Britannia/Schlesinger

Brown Shipley & Co. Ltd. (a)(g)

Canada Life Unit Tst. Mngrs. Ltd.

Capel (James) Mngt. Ltd.

Carr, Sebag Unit Trust Managers (a)

Charities Official Invest. Fund

Chieftain Trust Managers Ltd. (a)(g)

Confederation Funds Mgt. Ltd. (a)

Crescent Unit Tst. Mgrs. Ltd. (a)(g)

Dartington Unit Trust Mgt. Ltd.

Discretionary Unit Fund Managers

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Emson & Dudley Tst. Mngmnt. Ltd.

Equity & Law Un. Tr. M. (a)(b)(c)

Fidelity International Management Ltd.

James Finlay Unit Trust Mngt. Ltd.

Framlington Unit Mgt. Ltd. (a)

Friends' Provdt. Trust Mgrs.

Funds in Court

G.T. Unit Managers Ltd.

G. & A. Trust (a) (g)

Gartmore Fund Managers (a)(g)

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a) (b) (c)

Hill Samuel Unit Tst. Mgrs. (a)

Investment Intelligence Ltd. (a)(g)

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers

L. & C. Unit Trust Management Ltd.

Legal & General (Unit Tst. Mngrs.) Ltd.

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Tst.

M & G Group (y)(c)(z)

Manulife Management Ltd.

Mayflower Management Co. Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.

Minster Fund Managers Ltd.

MLA Unit Trust Mngemnt. Ltd.

Murray Johnstone U.T. Mgmt. (a)

Mutual Unit Trust Managers (a)(g)

National Provident Inv. Mngrs. Ltd.

National Westminster (a)

NEL Trust Managers Ltd. (a)(g)

Northgate Unit Trust Managers Ltd. (c)

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt. (a)

Practical Invest. Co. Ltd. (y)(c)

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd. (a)(b)(c)

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management (g)

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Save & Prosper Group

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Stewart Unit Tst. Managers Ltd. (a)

Sun Alliance Fund Mngt. Ltd.

Target Tst. Mngrs. Ltd. (a)(g)

Tower Unit Trust Mngt. Ltd.

Trades Union Unit Tst. Managers

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TSB Unit Trusts (y)

Tyndall Managers Ltd. (a)(b)(c)

Ulster Bank (a)

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AMEV Life Assurance Ltd.

Barclays Life Assur. Co. Ltd.

Black Horse Life Ass. Co. Ltd.

Canada Life Assurance Co.

Cannon Assurance Ltd.

Capital Life Assurance

Charterhouse Magna Gp.

City of Westminster Assur. Co. Ltd.

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life Insurance Co. Ltd.

Eagle Star Insur./Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

Equity & Law (Managed Funds) Ltd.

Family Assurance Society

General Portfolio Life Ins. C. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance Limited

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assurance Co. Ltd.

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Legal & General (Unit Pension) Ltd.

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London Life Linked Assur. Ltd.

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M & G Group

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Merchant Investors Assurance

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NPI Pensions Management

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Norwich Union Insurance Group

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Prop. Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

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Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group

Schroder Life Group

Scottish Widows' Group

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Solar Life Assurance Limited

Standard Life Assurance Company

Sun Alliance Fund Mangmt. Ltd.

Sun Alliance Linked Life Ins. Ltd.

Sun Life of Canada (UK) Ltd.

Sun Life Unit Assurance Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tyndall Assurance/Pensions

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.

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Delta Group

Deutscher Investment-Trust

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Eurobond Holdings N.V.

F & C Mgmt. Ltd. Inv. Advisers

Fidelity International Ltd.

First Viking Commodity Trusts

Fleming Japan Fund S.A.

Frankfurt Trust Investment—GmbH

Free World Fund Ltd.

G.T. Management Ltd.

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BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

High	Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
33⅞	29	Consols 4pc	33	+¼	12.37	—
33¼	28⅞	War Loan 3½pc‡‡	32¼	+¼	11.08	—
37¼	32¼	Conv. 3½pc '61 Aft.	35¼xd	+¼	9.96	—
25¼	21⅝	Treasury 3pc 66 Aft.	24¼xd	+⅛	12.35	—
22⅞	19½	Consols 2½pc	21¾xd	+⅛	11.68	—
22	17⅞	Treasury 2½pc	20¼xd	+⅛	12.35	—

INTERNATIONAL BANK

High	Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
87½	78	5pc Stock '77-82	86	......	5.82	13.69

CORPORATION LOANS

High	Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
97¼	83⅝	Bath 11¼pc 1985	92½xd	+⅝	12.04	13.06
98¼	89½	Birm'ham 12½pc 1985	96¼	+¼	12.79	13.12
99½	96¼	Bristol 13¼pc 1981	99⅞	+⅛	13.24	15.22
102½	90	Burnley 13pc 1987	102	......	13.31	13.51
95¼	82¼	Cardiff 11pc 1986	90xd	......	12.13	13.28
98¼	93	G.L.C. 12½pc '82	97¾	......	12.79	14.04
98¼	90¼	Do. 12½pc 1983	97½	+¼	12.82	13.56
92¼	84¾	Glasgow 9¼pc '80-82	91½	......	10.11	14.85
75¼	64½	Herts 6¾pc 1985-87	75¼	......	9.10	12.47
90½	81¼	Liverpool 9¼pc '80-84	89½	......	10.89	13.48
27	24	D. 3½pc Irred.	25¾xd	......	13.22	—
100¼	92¼	Lon. Corp. 13¼pc '83	99	......	13.38	13.61
94	79¼	Do. 9¼pc '84-85	89½	−¼	10.33	12.10
80½	71	L.C.C. 5½pc '82-84	79¾	+¼	6.90	12.33
70¼	60½	Do. 5½pc '85-87	70¼	......	8.02	12.57
69½	60¾	Do 6¼pc '88-90	69¼	−¼	9.97	12.56
24	21	Do. 3pc '20 Aft.	23½	......	13.10	—
97½	87¼	Sunderland 12¼pc 1984	96	......	12.76	13.49

COMMONWEALTH AND AFRICAN LOANS

High	Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
91	82¼	Aust. 5½pc '81-82	89	+¼	6.18	13.86
85¼	72½	Do. 6pc 1981-83	84	......	7.32	13.11
67	58	N.Z. 7¼pc 1988-92	66	+¼	11.30	13.36
81½	72	Do. 7½pc '83-86	81	+¼	9.52	12.83
96¼	88	Sth. Africa 9½pc '79-81	93xd	......	10.09	15.73
160	95	S. Rhod. 2½pc Non-Ass.	106	−1	—	27.09
169	133	Do. 6pc '78-81 N.-As.	149	−2	—	25.35

LOANS

Public Board and Ind.

[illegible]

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INDUSTRIALS—Continued

1980 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
54	45	Hargreaves 20p	52	......	3.96	2.2	10.9	(5.8)
88	60	Harris (Ph.) 20p	87	......	5.5	1.6	9.0	(8.3)
46½	31	Harris & Sheldon	36xd	......	3.0	2.3	11.9	5.0
34	20	Hawkins & Tipson	21	......	±1.0	3.2	‡	6.3
16¼	8½	Hawtin 5p	10	......	0.25	8.6	3.6	3.4
63	46	Hay (Norman) 10p	63	......	3.35	1.9	7.6	9.7
106	57	Hensher 'A' 10p	101	......	♦2.5	3.5	3.5	11.6
112	86½	Hepworth Crmc.	94	−2	5.0	3.3	7.6	4.6
36	22	Hestair	27	......	1.0	1.0	5.3	(10.9)
50	32	Hewitt (J.)	37	......	1.5	9.8	5.8	2.0
43	24	Highgate & Job 50p	27	......	—	—	—	—
65	45	Hill (Chas.) £1	50	......	—	—	—	—
33	17	Hirst Mal'son 20p	23	......	±2.6	1.4	‡	(3.8)
100	75	Holden (A.)	100	......	5.0	3.3	7.1	4.9
51	23	Hollis Bros	28	......	1.4	1.4	7.1	(02.7)
98	71	Hol Lloyd Int. 10p	73	......	h3.17	2.5	5.8	8.6
162	118	Hoover 'A'	123	−2	±12.0	0.9	‡	(12.8)
112	58	Hoskins & H 20p	58	......	±8.0	1.5	‡	4.2
♦80	54	Howard Teners	65	......	2.29	2.0	5.0	12.0
377	230	Hunting Assoc.	340	−10	5.0	6.0	2.1	8.8
130	66	Huntleigh 10p	123	+1	1.19	2.8	1.4	29.4
116	55½	Hutch Whamp SHK1	101½	−1½	MQ28c	2.6	2.3	16.4
25½	17	Hyman (I. & J.) 5p	17	......	1.25	3.6	10.5	3.8
£13⅝	845	I.C. Industries$1	£13½	......	Q$2.00	—	6.7	—
196	111	ICL	163	+3	th2.97	7.4	2.6	5.6
32	24	Ingall Inds. 10p	30	−1	2.27	♦	11.4	♦
193	107	Initial Services	190	−2	7.5	2.3	5.6	9.4
18	9	Inter-City 20p	11½	+1	0.6	1.8	7.5	(8.8)
57	39½	J. B. Holdings 10p	44	......	3.0	2.1	9.7	6.9
150	100	Jacksons Bourne	105	......	♦5.0	♦	6.8	♦
11½	4½	James (M.) Inds. 10p	10¾	......	0.75	3.9	10.5	2.8
250	108	Jardine M. SHK5	250	+34	MQ82c	1.9	2.8	19.1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

INSURANCE

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL MARKETS

[illegible]

OPTIONS

3-month Call Rates

[illegible]

"Recent Issues" and "Rights" Page 24

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

FINANCIAL TIMES
Wednesday October 1 1980

Petrochemicals plant studied as Murchison Field starts up

Conoco plans heavy investment in UK

BY RAY DAFTER AND MAURICE SAMUELSON

ANOTHER big U.S. oil company—Conoco—has announced wide-ranging plans for investment in the UK. The company said yesterday it intended to "invest heavily" in both offshore oil exploration and development and a new petrochemicals plant.

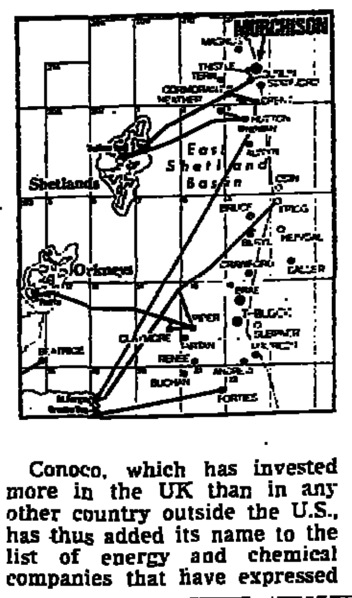
The statement, which follows Occidental's recently announced £625m investment plan, coincided with the start-up of production at Conoco group's Murchison Field in the North Sea.

The field, the most northerly in the North Sea developed at a cost of £500m, is initially yielding 20,000 barrels a day. By next March, output should be 120,000 barrels a day—about 7 per cent of the UK's oil needs.

Mr. Ralph Bailey, chairman and chief executive, said Conoco was bidding aggresively for new exploration licences in the British sector of the North Sea, where the company had been spending $200m (£84m) annually in recent years. Conoco was already developing the Hutton Field, in which it had a 20 per cent stake, at a cost of £600m.

Now the company is examining the possibility of building an ethylene plant, based on ethane feedstock that would flow through the proposed £1.1bn gas gathering pipeline network. "We have monitored the whole pipeline development very carefully. We would be interested in processing the gas. That is part of the business."

Mr. Bailey said that while Conoco had no firm investment plans, if there were opportunities, "then we feel we have the expertise. We also have the desire to make that type of investment."



Conoco, which has invested more in the UK than in any other country outside the U.S., has thus added its name to the list of energy and chemical companies that have expressed interest in building new ethane-based ethylene plants in Britain.

Dow and Occidental are among other prospective newcomers to the UK chemical industry. But they are likely to encounter stiff opposition from existing ethylene producers—British Petroleum, Shell and Imperial Chemical Industries—which are anxious to use the North Sea gas to make existing plants more efficient. Another established producer is Esso, building its ethane-based ethylene plant at Mossmoran in Fife.

It is intended that Murchison will be linked to the gas gathering system. However, Mr. Bailey said that alternative arrangements were being made to transport ashore gas produced with the oil if there were undue delays in laying the proposed pipeline.

Conoco which operates Murchison on behalf of 12 UK and Norwegian partners (the field straddles the UK/Norwegian median line), said that the development costs of about £500m were very close to the original budget. Production had begun closer to schedule than at any other North Sea development.

The field, 120 miles North-East of the Shetland Islands, is of medium size, by North Sea standards, with recoverable reserves of 350m-400m barrels. About 83 per cent of these reserves are thought to lie in UK waters. Conoco, the British National Oil Corporation and Gulf Oil each hold just under 28 per cent shares in the field. The other licensees are nine Norwegian companies led by Statoil, the State-owned company.

Howell awards mainland oil licences, Page 8
North Sea oil forecasts, Page 10

Japan to curb exports to EEC

BY DAVID HOUSEGO IN TOKYO

JAPAN HAS told the EEC that it will try to restrain exports of colour televisions and cars to Europe as part of short-term measures to remove growing trade frictions.

The assurances have been conveyed informally to EEC officials after a particularly sharp increase in car and television exports to West Germany.

The volume of car exports to West Germany rose by 46 per cent in the first eight months of this year, according to Japanese customs clearince figures, and colour television sets by 113 per cent compared with the corresponding period in 1979.

Overall Europe's trade deficit with Japan for the January-August period worsened by 75 per cent against the same period last year to reach $5.28bn, according to Japan's own customs clearance figures.

This could mean that Europe's trade deficit with Japan for 1980 will total $10bn, or almost twice the size it was in 1977—provoking fears on the European side of a nastier trade skirmish than in 1977-78.

West Germany has been making increasingly sharp representations to Japan about the scale of car and colour television exports since Count Otto Lambsdorff, the West German Economics Minister, broached the issue in Tokyo in July—but so far without effect, say European officials.

Ministry of International Trade and Industry officials confirmed yesterday that Japan was considering ways to restrain Japan's exports of cars and television sets to West Germany. But no decision has apparently been taken on what kind of guidance would be given to industry, what products would be covered or how long the period of restraint would last.

Japan is particularly anxious not to antagonise West Germany, whose commitment to free trade it sees as the main safeguard in Europe against the rising tide of protectionism. Japanese officials evidently hope that "spontaneous" action to slow down its exports would enable West Germany to preserve its free trade commitment.

Both directly and through the EEC the Germans have been protesting at what they see as the shortsightedly aggressive marketing policies of Japanese car and television manufacturers at a time of international recession.

Japanese trade officials point out that part of the steep increase in television shipments to West Germany could be explained by the accumulation of stocks for re-export to other European markets.

But Europe's rising trade imbalance with Japan has prompted Mr. Wilhelm Haferkamp, the EEC commissioner for external relations, to invite Mr. Saburo Okita, Japan's special trade representative, to visit Brussels this month for an exchange of views on economic relations.

According to Japanese customs clearance figures, the country's exports to the EEC rose by 28.1 per cent to $10.4bn in the first eight months compared with the same period last year. Over the same period, EEC imports into Japan stagnated at $5bn.

Ministry officials say they "cannot understand" why Japan's imports from the EEC rose by only 0.2 per cent in the first eight months of 1980. In contrast, its imports from the U.S. rose by 22.1 per cent between January and August.

Japan car sales, Page 8

PM meets monetary experts

By David Marsh

A GROUP of foreign central bankers and academics was yesterday called in for talks at 10 Downing Street as Mrs. Margaret Thatcher underlined her determination to play a personal role in the decision on possible monetary control changes.

Mrs. Thatcher regards the surge in money supply during the last two months as potentially very damaging to Government strategy, and has already called for personal advice on monetary issues from senior Whitehall officials and City experts.

The Downing Street talks followed two days of meetings in which Bank of England and Treasury officials compared views with academics and outside experts on a possible switch *to a monetary base system.* Such a system would lead the Bank to altering its policy away from setting interest rates and towards controlling the volume of cash in circulation and bank reserves. This approach—still viewed with scepticism by some Bank and Treasury officials—would allow interest rates to fluctuate freely.

The group Mrs. Thatcher met yesterday included Professor Karl Brunner, the Swiss-American economist, who favours the monetary base system. The Prime Minister is believed to have been impressed by his views when she met him during her August holiday in Switzerland.

Peter Riddell adds from Washington: Neither Sir Geoffrey Howe, the Chancellor, nor Mr. Gordon Richardson, the Governor of the Bank, has yet seen the September banking figures due to be announced next Tuesday.

Continued from Page 1

BL offers pay rise

basis of a settlement" this year.

The company emphasised that last year, when settlements generally were considerably higher than at present, 88 per cent of its employees settled for 5 per cent, and only the remaining 12 per cent received increases of 10 per cent.

BL decided to frame the offer in percentage terms rather than as a flat cash increase, in line with the union claim, to preserve present grade differentials.

The offer would take the 40-hour dayshift rate for grade 3, which includes roughly half the manual work force, from the present £88 to £93.40 a week. Other increases are: grade 1, £98 to £104; grade 2, £89.80 to £95.30; grade 4, £80.85 to £85.80; and grade 5, £73.50 to £78.

The offer also includes an increase *in the ceiling for payments* under the incentive bonus scheme introduced in April by £7.50 to £22.50 per week. Disagreement over the level of bonus currently being paid is likely to be a central feature of the resumed negotiations.

The company claims that workers in more than half its 34 car plants have increased their earnings under the scheme, and that some have enjoyed maximum bonuses.

Union officials were sceptical. They maintain that in the present position of short-time working, which at the moment covers some 5,000 BL Cars' workers, the majority of their members were not earning bonuses, and nobody had earned maximum bonus.

Mr. Grenville Hawley, national automotive secretary of the Transport and General Workers' Union, said he believed the unions were still in a negotiating position with the company, and that they were hoping there was room for improvement.

U.S. steel trigger price restored

BY DAVID BUCHAN IN WASHINGTON

PRESIDENT Jimmy Carter yesterday announced he will this month bring back the "trigger price" mechanism to protect domestic steel producers against cheaper imports. In return, U.S. Steel said it was withdrawing its anti-dumping suits against EEC steel-makers, including British Steel.

This was the key trade element of the plan Mr. Carter outlined yesterday for "a healthy and vital steel industry." Along with the reintroduction of trigger prices for three to five years while American steel companies modernise, it proposes to give the industry more time to meet pollution controls.

Mr. Carter also reiterated the benefit to U.S steel makers of tax relief proposals he has already announced.

Under trigger pricing, steel that is imported below a base figure, or trigger price, sets in motion an investigation to determine if the steel is being "dumped," or sold at unfairly low prices. Suppliers found liable under the procedure face penalty duties.

Trigger prices were abandoned after U.S. Steel alleged that steel producers in seven European countries were dumping products on the American market at prices below manufacturing costs.

The Administration has promised the industry it will tighten further the trigger price enforcement, if the market share taken by imports increases sharply.

The President flanked himself with steel industry executives and trade union leaders for maximum electoral impact, because Mr. Ronald Reagan, his Republican opponent, is actively wooing unemployed steelworkers' votes.

But the immediate effect is to settle a potentially very damaging transatlantic trade dispute, centred on the massive suits filed by U.S. Steel against $1.3bn (£544.5m) worth of steel shipments a year from steel companies in seven European Community countries.

In protracted negotiations since then, U.S. Steel has used *its dumping suits to extract* concessions.

Trigger prices will be reimposed at a level 12 per cent higher than in the first quarter of 1980, their last period of operation, Administration officials said yesterday.

The trigger prices will apply to contracts made after September 5 and shipments delivered in the U.S. after November 5.

The EEC Commission has acquiesced in a return of trigger prices as the lesser evil to sweeping anti-dumping cases brought by individual American companies.

Contractors join lagging disputes

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE EMPLOYERS' body at the heart of the inter-union disputes at the Isle of Grain and Milford Haven construction sites warned yesterday that "industrial chaos" would result from mechanical contractors moving into insulation work.

The Thermal Insulation Contractors Association is alarmed that its members are losing their traditional work of insulating, or lagging, boilers and pipework on power station and petrochemical sites to members of the Oil and Chemical Plant Constructors Association and the Engineering Employers Federation.

The inter-union disputes at Grain and Milford Haven, in which the General and Municipal Workers' Union fears that its members are being squeezed out of lagging by other craft unions who work for the mechanical contractors, is thus paralleled by a disagreement among contractors.

TICA believes an anarchic situation involving poaching of members from all unions would ensue if the practice of unions other than the GMWU taking lagging work spreads to other sites.

The Oil and Chemical Plant Constructors Association has denied the TICA charge. It pointed out that TICA will be involved, for the first time, in talks with the other contractors on a new national agreement on large sites.

However, TICA said it had reached agreement with the GMWU to accept the common craft rate of £3.50 an hour in July. But many of its members had tendered for work but later found the invitation to tender was withdrawn.

Picketing continued yesterday at the Milford Haven site. There, three projects are at various stages of construction. Contractors said some 40 per cent of the 4,600-strong workforce did not arrive for work.

Mr. Glyn Probert, the district secretary of the GMWU, which is mounting the picket, said it would be stepped up.

Weather

UK TODAY

DRY in South followed by rain,

London, S. England, E. Midlands
Early mist and fog followed by dry sunny intervals. Warm. Max. 17-18C. (63-64F.).

S.W., E. and N. England, S. Wales, W. Midlands
Dry at first, sunny intervals and rain later. Hill and coastal fog in parts. Max. 14-16C. (57-61F.).

Most of Scotland, N. Wales, N.W. England, Orkney, Shetland
Cloudy, heavy rain, brighter later with gales in parts. Max. 12-15C. (54-59F.).

N. Ireland, Glasgow, Argyll, S.W., N.W. Scotland, C. Highlands
Rain, brighter later with heavy showers. Gales. Cold. Max. 10-11C. (50-52F.).

WORLDWIDE

		°C	°F			°C	°F
Ajaccio	S	25	77	Lisbon	S	28	82
Algiers	C	27	81	Locarno	F	21	70
Amsdm.	F	17	63	London	S	17	63
Athens	F	23	73	Luxmb.	C	16	61
Bahrain	S	35	95	Luxor	F	36	97
Barclna.	S	27	81	Madrid	S	26	79
Beirut	S	27	81	Majorca	S	29	84
Belfast	C	13	55	Malaga	S	27	81
Belgrd.	F	19	66	Malta	F	27	81
Berlin	C	15	59	M'chstr.	F	15	59
Biarritz	C	22	72	Melbne.	F	19	66
Bmghm.	S	16	69	Milan	F	21	70
Blackpl.	F	15	59	Mntreal.	R	14	57
Bordx.	C	20	68	Moscow	C	3	37
Boulgn.	F	16	61	Munich	F	18	64
Bristol	S	16	61	Nairobi	S	27	81
Brussels	S	17	63	Naples	F	26	79
Budpst.	R	14	57	Nwcstl.	F	15	59
Cairo	S	29	84	N. York	R	16	61
Cardiff	S	16	61	Nice	S	24	75
Cas'b'ca	F	27	81	Nicosia	S	27	81
Cologne	C	15	59	Oporto	S	28	82
Cpnhgn.	F	15	59	Oslo	F	17	63
Corfu	S	25	77	Paris	C	17	63
Dublin	S	15	59	Perth	S	18	64
Dbrvnk.	S	23	73	Prague	C	13	55
Ednbgh.	F	15	59	Reykjvk.	F	7	45
Faro	S	27	79	Rhodes	S	25	77
Florence	S	26	79	Rome	S	25	77
Frankft.	C	14	57	Salzbrg.	C	17	63
Funchal	C	18	64	Stckhm.	C	11	52
Geneva	F	16	61	Strasbg.	F	18	64
Gibrltr.	C	23	73	Sydney	S	30	86
Glasgow	F	14	57	Tangier	F	29	84
G'rnsey	C	16	61	Tel Aviv	S	26	79
Helsinki	C	10	50	Tenerife	S	19	66
H. Kong	F	27	81	Tokyo	S	23	73
Innsbrk.	C	18	64	Tunis	F	28	82
Invrnss.	F	12	54	Valencia	S	27	81
I.o.Man	S	15	59	Venice	F	21	70
Istanbul	F	20	68	Vienna	R	14	57
Jersey	C	17	63	Warsaw	C	13	55
L. Plms	S	25	77	Zurich	F	16	61

C—Cloudy. F—Fair. R—Rain. S—Sunny.

Third World urges IMF change

BY JUREK MARTIN AND PETER RIDDELL IN WASHINGTON

THE International Monetary Fund must show itself capable of adaptation to new economic realities if it is to continue at the centre of the world's monetary system, M. Jacques de Larosiere, its managing director, said yesterday.

In his address to the joint annual meeting of the IMF and World Bank which began officially yesterday morning, M. de Larosiere moved some way toward meeting the concerns of the developing nations that the IMF is too often unresponsive to their needs.

These had been graphically outlined in an opening speech by the chairman of the meeting, Mr. Amir Jamal, the Finance Minister of Tanzania, who argued strongly that the Bretton Woods principles embodied in the IMF's approach had "long been overtaken by events" and that the change most needed was in the international institutions themselves.

One change that seems increasingly unlikely to occur at the meeting is in the status of the Palestine Liberation Organisation. Mr. Jamal said he would not raise the question of the PLO attending the IMF as an observer until he had received a report from the joint procedures committee, which met on Monday night to consider the issue and was due to convene again but had as yet made no recommendations.

President Jimmy Carter, in his speech yesterday morning as head of the host nation made clear that the U.S. was opposed to the insertion of "extraneous political disputes" into the normal workings of the IMF and World Bank.

Mr. de Larosiere conceded in his speech, much of which dealt with various economic policy options, that no con*sensus yet existed among the* IMF's 140 members as to its future role. But he noted that next year the Fund would begin work on its next general quota review.

"We shall have to work for selective increases in quotas that reflect the changing importance of countries and groups of countries in the world economy," he said, without specifying in any detail how much greater weight the developing countries ought to acquire.

The British Government's view emphasises the widespread agreement at the meeting on the impact of the rise in oil prices on the economic outlook and the need to make *the fight against* inflation the main priority. This is likely to be reflected in the speech of Sir Geoffrey Howe, the Chancellor, this morning.

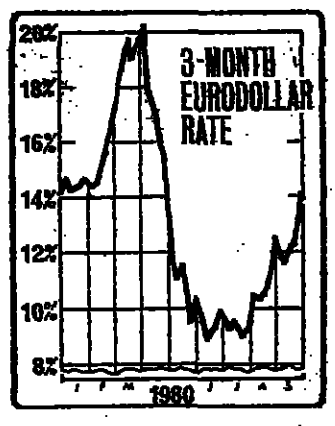
"Changes must be made," Page 4
Men and Matters, Page 18

THE LEX COLUMN

Back to the MLR guessing game

The gilt-edged market has been looking for the last week as though it wanted to move higher, and yesterday it finally made it, with gains of nearly a point at the long end leaving prices less than half a point short of tap levels. On top of relief over the scale of Federal Reserve intervention in the U.S. money market on Monday, the gilt-edged market is enjoying one of its periodic surges of optimism about UK monetary growth.

Index rose 5.4 to 481.0



The Fed's determined injunction of liquidity into the Federal Funds market at 13¼ per cent was generally being read as a sign that it feels rates have gone high enough, although prime rates will presumably move up, after the usual time lag, towards 14 per cent. And since sterling has held up well while U.S. rates have been rising, the argument goes, what is there to fear from New York?

At home, the velociay of circulation of rumours concerning the slowdown of clearing bank loan demand was well above trend yesterday; this is leading serious economists to the conclusion that the underlying aggregate must be tightly squeezed. In addition, Barclays Bank, which may be presumed to know about loan demand at first hand, is forecasting a marked deceleration *in sterling* M3 growth to an annualised rate of less than 7 per cent in the last eight months of the 1980-81 financial year. Barclays is expecting the public sector borrowing requirement to be held to £10bn, while the underlying rate of bank lending to the private sector should slow to £500m a month.

It is a short step from agreeing with this analysis to expecting a cut in interest rates on the back of the September banking figures. The Bank of England—though not necessarily the poli*ticians—would probably prefer* to have some idea of credit demand in the October banking month, when it is seasonally high, rather than risking a cut on the basis of a single set of figures heavily affected by the payment of petroleum revenue tax which may give a misleading impression. In any case, provided the figures really are good, the Government Broker should be able to sell out his long tap stock, with a £450m benefit to funding in banking October.

RMC

With investors in the building sector looking ahead at the prospects for next year with increasing unease, the strong interim performance from Ready Mixed Concrete left the share price unchanged yesterday at 181p. Helped by the mild winter weather, pre-tax profits have risen by two-fifths to £21.5m, with volume gains across the board and raw material price increases passed on to customers without apparent difficulty.

Ready-mixed volumes in the UK have advanced by about 5 per cent, and aggregates by rather more, although there has been a decline so far in the second half. In Germany, by contrast, higher first-half *volumes have seen only a* limited levelling out since the summer. Meanwhile, the South East emphasis of the group's builders merchanting and DIY divisions in the UK seems to have shielded it from the worst of the squeeze on these fronts. So profits in the second six months may be only slightly lower overall, to produce £52m or so for the full year, against £47.3m.

At this level the p/e emerges at about 8, fully taxed, supported by a yield of some 7¼ per cent assuming the final dividend is increased in line with the interim. With gearing falling further this year—to about 20 per cent of shareholders' funds—strong cash flow and modern plant the stock looks like one of the safer bets in the sector.

Foseco Minsep

Broad geographical diversification is protecting Foseco Minsep from the industrial recession which has hit hard in the UK and the U.S. (each representing *around a fifth of* group sales) but has been much less severe on the Continent of Europe and has passed by more buoyant markets like Australia and South Africa. The group's pre-tax total has crept up by 2 per cent after six months to £9.44m.

Inevitably Foseco's metallurgical business (about three-quarters of the whole) suffered a setback in the UK in the face of the strike at its biggest customer British Steel. Profits in the U.S. went backwards in line with the drop in output of steel and castings. But the Continent proved very strong, and most markets elsewhere around the world produced growth although there was a black spot in Korea while Japan has proved disappointing with Foseco still unable to achieve adequate penetration into the continuous castings market there. The building and construction and materials side Fosroc, generating about a fifth of group sales, showed reasonable progress, with the U.S. market proving surprisingly resilient.

Whether Foseco's profits for the ful year on a comparable basis are up or down could depend as much as anything else on the level of sterling. In any case the picture will be confused by the consolidation for around four months of the acquisition Unicorn Industries which clearly in the year was holding its 1979 profits level but in the past couple of months has slipped back. On a pro forma annualised basis group profits could be around £24m, so at 162p the fully taxed p/e ofo ver 9, and yield of 5.7 per cent, are looking for growth next year.

Laing

After the decline of a third in pre-tax profits reported by Laing at the halfway stage last year, a further drop of 70 per cent in this year's interim figure is highly disappointing. Although there are various reasons for the decline, the group's heavy dependence on public contracts is perhaps at the root of its poor performance relative to some of its competitors.

The impact of their margins in the general construction business and housebuilding has been aggravated by losses in a series of civil engineering contracts and in Spain, while the Middle East and Nigeria have proved extremely dull. And things may well get worse in the second half, with a dearth of new orders likely to lead to a decline in the volume of work in progress. It is difficult to be optimistic over housing and the building products division, while there is a danger that further civil engineering provisions may be required. Recovery looks a long way off. The share price fell 3p yesterday to 47p.